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# FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY FEBRUARY 4 1993 — D8523A


## Alcatel and Sprint form $300m data network venture

Alcatel of France, the world's leading supplier of telecoms equipment, and Sprint, the US long-distance telephone company, are to form a $300m-turnover joint venture in data communications systems. The company, Alcatel Data Networks, will sell equipment and systems and will be among the top two companies in the field with an estimated 25 per cent of world market share. Page 14

**Germany halts defence spending:** Germany is to halt all new defence contracts and cancel plans to buy a DM3bn ($1.8bn) high-altitude US electronic reconnaissance system, as part of a total review of defence spending. Page 14

**Electrolux,** Swedish white goods manufacturer, is to halve its 1992 dividend to SKr6.25 (81 cents) a share. The move, likely to be followed by other Swedish companies, came in spite of virtually unchanged profits. Page 15; Lex, Page 14

**Japanese rate cut awaited:** The Bank of Japan is expected to cut its official discount rate today from 3.25 to 2.5 per cent, after its governor, Yasushi Mieno, said the economy was in need of support. Page 4

**Delors orders Hoover inquiry:** Jacques Delors, European Commission president, has asked Brussels to investigate whether Hoover's relocation of jobs from France to Scotland infringes EC regulations. Page 2

**Rabin reserves right to more expulsions:** Israeli prime minister Yitzhak Rabin insisted Israel retained the right to expel Palestinians and implied that the US had condoned December's expulsion of 400 alleged Islamic militants. His speech seemed certain to complicate prospects of resuming Middle East peace talks which Washington wants reconvened within weeks. Page 14

**Bérégovoy admits taking loan:** France's prime minister Pierre Bérégovoy said he had acted properly in receiving a FFr1m ($180,000) interest-free loan from a businessman later charged with insider dealing. Page 2

**US set to pass family leave bill:** A bill that would require most companies to provide up to 12 weeks' unpaid leave for family emergencies looked likely to pass into law. Former president George Bush vetoed the bill twice. Page 5

**US air force contract:** The US air force has awarded a $724m personal computer contract to Zenith Data Systems, an arm of Groupe Bull, and Government Technology Services of Virginia, ending a long-running saga. Page 3

**GTE sells lighting division:** GTE of the US has sold its $650m-turnover GTE Sylvania International lighting operations in a management buy-out, for an undisclosed sum. Page 15

**Dublin move on peace talks:** Ireland's new foreign minister Dick Spring offered to hold talks with Northern Ireland's Unionist leaders in an effort to unblock stalled peace talks. Page 7

**Salomon shares rise:** Salomon shares rose sharply after the company reported fourth-quarter profits of $143m thanks to a strong showing from its Wall Street securities brokerage. Page 15

**Chrysler,** US carmaker which raised $1.78bn on Tuesday in an international share offering, was upgraded in its credit rating by Standard & Poor's. Page 18

**Budapest prepares sell-off:** Hungary said it planned to privatise its main utilities this year, including telecoms, gas distribution and electricity sectors, as well as state-owned commercial banks. Page 3

**BFG Bank,** German bank majority-owned by Crédit Lyonnais of France, made a net loss of DM1.1bn ($681m) last year after raising provisions against problem-country risks.

**London bomb chaos:** Two bombs, assumed to be the work of the Irish Republican Army, exploded on London's transport network. No one was hurt.

**Kuwaiti ban defied:** Kuwaiti MPs and journalists said they would defy a ban on issuing unsanctioned information on alleged fraud in the management of Kuwait's overseas investments. Page 4

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2,873.8 | (+39.4) |
| Yield | 4.25 | |
| FT-SE Eurotrack 100 | 1,067.83 | (+7.60) |
| FT-A All-Share | 1,396.35 | (+1.35) |
| Nikkei | 17,222.83 | (+35.72) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3,368.39 | (+39.71) |
| S&P Composite | 445.46 | (+2.91) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3⅛% |
| 3-mo Treas Bills: Yld | 2.963% |
| Long Bond | 104 3/16 |
| Yield | 7.243% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo interbank | 6¼% | (6⅜%) |
| Liffe long gilt future: | Mar 102 1/32 | (Mar 102⅛) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (March) | $18.34 | (18.26) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Feb) | $329.3 | (330.4) |
| London | $328.30 | (330.15) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.4325 | |
| London: | | |
| $ | 1.434 | (1.446) |
| DM | 2.36 | (2.375) |
| FFr | 8.0025 | (8.0325) |
| SFr | 2.1875 | (2.2025) |
| Y | 178.25 | (180.5) |
| £ Index | 76.9 | (77.1) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.6475 | |
| FFr | 5.5865 | |
| SFr | 1.528 | |
| Y | 124.425 | |
| London: | | |
| DM | 1.6455 | (1.642) |
| FFr | 5.58 | (5.555) |
| SFr | 1.5245 | (1.5235) |
| Y | 124.30 | (124.85) |
| $ Index | 67.3 | (67.2) |
| Tokyo close Y 124.33 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lw25.00 | India | Rs40 | Neth | Fl 3.75 | Slovak Rp | Kcs45 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Spain | Pta200 |
| Czech Rp | Kcs45 | Israel | Shk5.90 | Norway | NKr16.00 | Sweden | SKr15 |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Switz | SFr3.20 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Syria | S£50.00 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Thailand | Bht50 |
| France | FFr8.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Tunisia | Din1.250 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L7000 |
| | | | | | | UAE | Dh11.00 |

# Banks lend Daf short-term funds

## UK plants could be excluded from plan to save Dutch and Belgian operations

By Kevin Done and Robert Peston in London, David Brown in Amsterdam and Andrew Hill in Brussels

DAF'S nine leading bank creditors yesterday threw a temporary lifeline to the collapsed Dutch commercial vehicle maker by granting it Fl 60m ($32m) in new bank facilities.

Daf, which has a workforce of 12,650, was forced to file for protection against its creditors on Tuesday after running up losses Fl 800m in the last three years.

The fresh bank funds are sufficient to allow Daf to pay wages and meet other trading expenses for a month. In that period, the receivers of Daf's European businesses, operating under Dutch, Belgian and British insolvency laws, will review the long-term prospects of its operations.

Administrative receivers were appointed late yesterday to Daf's main UK operations while in the Netherlands strenuous efforts were under way to salvage the Daf operations.

Dutch government officials met union leaders and provided guarantees that the payroll would still be met. It would act as a short-term financier in the unexpected event that the bank consortium, led by ABN Amro, failed to provide bridging finance.

It is understood that an attempt is being made to create a new company in the Benelux countries, which could include Daf's present medium and heavy truck production units based there. It is unclear if any of the UK operations would be included.

Mr Koos Andriessen, Dutch economic affairs minister, said he believed that Daf could survive in a concentrated form but warned of painful job cuts.

A spokesman for Mr Luc Van den Brande, who heads the Flanders government in Belgium, said that the receivers were considering liquidating the old company and regrouping its heavy and medium truck activities in a new business. He said other plans were also being considered.

The new bank funds came from a banking syndicate led by ABN Amro. It includes Rabobank of the Netherlands, Générale de Banque of Belgium, Crédit Lyonnais of France and three UK banks, Barclays, Lloyds and National Westminster. NatWest has taken charge of co-ordinating bank creditors in the UK, though ABN Amro retains the lead role in the Netherlands.

All the UK banks participated in the new Fl 60m loan, even though they had refused on Monday to contribute to a Fl 50m bridging loan because of last-minute insistence by the Dutch government and Flemish regional authorities that the banks also provide a guarantee of long-term financial support.

UK banks are hopeful that the main manufacturing plant at Leyland in north-west England will not be forced to close. "It is one of the most modern in Europe", a senior banker said. However, the site near Birmingham is unlikely to continue in business unless a buyer can be found, another banker added.

According to details of the original Daf rescue plan, which was rejected by the banks and the Dutch and Flemish governments on Monday, the banking syndicate was being asked to provide Fl 50m in a short-term bridging loan, at least a further Fl 100m in additional loans over the coming two or three years and was also being asked to convert Fl 100m of debt into equity.

Other creditors asked to make sacrifices included the investment banking arms of the Dutch government and the Flemish regional government, which last year lent Fl 67m and BFr2.2bn ($65m). Holders of preference shares and of Fl 150m in bonds would also have been asked to convert part of what they are owed into ordinary shares.


THE DAF CRISIS Page 6
- Heseltine rules out bail-out
- Challenge for potential buyers
- High hopes in Eindhoven


## European crisis deepens as currencies weaken and slow growth threatens Emu

# Speculators push Danish krone to floor in ERM

By Hilary Barnes in Copenhagen and Robert Graham in Rome

THE DANISH krone fell victim to an intense burst of speculation inside the European exchange rate mechanism yesterday, tumbling to its floors against three currencies in the system.

The Danish authorities raised short-term interest rates and European central banks intervened to support the currency as it fell to its lowest permitted floors against the punt, the guilder and the D-Mark.

The pressure on the krone, which followed the weekend devaluation of the Irish punt, has raised speculation among currency dealers that another realignment of the ERM will be needed.

Yesterday's new round of ERM turbulence came despite a tiny reduction in the cost of short-term borrowing by the Bank of France and a half percentage point cut in Italy's discount rate, to 11.5 per cent. The French move did not prevent the franc slipping by nearly ½ a centime against the D-Mark by the end of London trading.

In Copenhagen, Mrs Marianne Jelved, economy minister in Denmark's new Social Democratic-led administration, said the government would not waver in its support for the krone.

She warned speculators: "It will be expensive not to listen to what I am saying." The central bank increased the rate at which it buys certificates of deposit from commercial banks from 11.5 to 13 per cent.

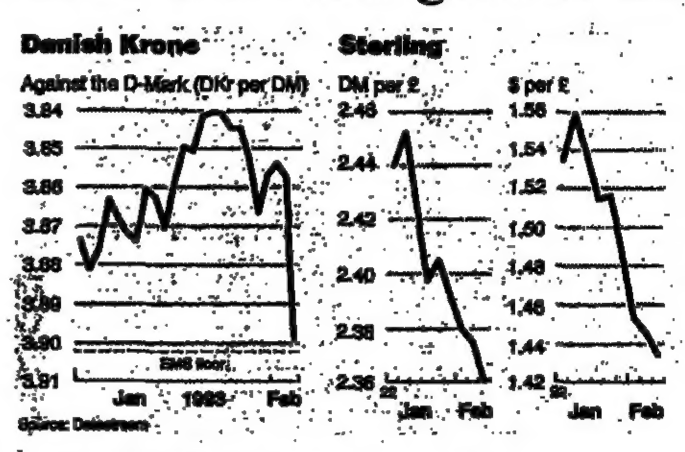
The government yesterday presented a set of gloomy forecasts, predicting higher unemployment, lower growth and a larger budget deficit than predicted by its predecessor.

Unemployment is forecast to rise to 11.6 per cent on average this year from about 11.1 per cent in 1992. Growth in gross domestic product would be about 1.9 per cent compared with the 2.6 per cent forecast by the outgoing government in December and with an actual growth rate of about 1 per cent last year.

Inflation is expected to fall from 2.4 per cent in 1992 to 0.9 per cent in 1993 with the balance of payments remaining in surplus to the tune of about DKr30bn ($4.8bn), or 3.4 per cent of GDP. But the budget deficit is expected to rise from about DKr38bn in 1992 to DKr48bn.

The Italian discount rate cut followed the publication yesterday of January's inflation figures which showed prices were rising on an annualised rate of 4.3 per cent, the lowest in more than five years. The discount rate is now down by 3.5 points from the high of 15 per cent during last September's currency crisis, although real interest rates remain high by European Community standards.


GOVERNMENT BONDS Page 20
- Danish bonds tumble
- Sterling reverse floaters prove popular
- Lex Page 14
- Currencies Page 32


# Pound hits record lows in heavy trading

By Philip Stephens, James Blitz and Peter Norman in London

STERLING fell yesterday to record lows against the D-Mark, the French franc and the yen in one of its most turbulent days since leaving the European exchange rate mechanism last September.

Senior ministers insisted last night that the UK government would "keep its nerve". With the collapse of Daf, the Dutch-based truck manufacturer which has big UK operations, delivering a further blow to the fragile prospects for economic recovery, there is no appetite in Downing Street for a rise in interest rates to stabilise the pound.

But some of Mr John Major's cabinet colleagues were acknowledging that, if the pound's slide accelerated, it would threaten the credibility of the government's anti-inflation strategy. If monetary conditions were no longer consistent with sustained, non-inflationary growth, Mr Norman Lamont, chancellor of the exchequer, would have little choice but to increase the cost of borrowing.

Paradoxically, hopes of lower

Continued on Page 14

# Low EC growth a threat to plans for Emu

By Lionel Barber in Brussels

LOW GROWTH in 1993 and 1994 threatens the EC's plans for economic and monetary union, Mr Henning Christophersen, EC economics commissioner, said yesterday.

"The big risk is that there is no growth. If there is nothing to improve the growth rate, there could be some doubts about the [economic convergence] criteria for some countries," the Danish commissioner told reporters.

He was commenting on the European Commission's annual economic report for 1993 published yesterday which forecasts growth of 1.8 per cent in the Community next year, following 0.8 per cent this year.

The Commission also predicts that unemployment in the Community will rise to 11 per cent this year, and 11.5 per cent in 1994 – meaning that about 18m people in the EC could be out of work next year.

Mr Christophersen conceded that the poor growth outlook raised questions about whether member states could meet the tough criteria on economic convergence outlined in the Maastricht treaty as a precondition for economic and monetary union. He repeated calls for Germany to cut its interest rates to stimulate a recovery.

The Commission has generally avoided statements which could be viewed as challenging Emu's credibility. While Mr Christophersen said he was confident that a majority of states would be ready to sign up to Emu in 1997, he acknowledged there was a "strong link" between EC efforts to promote growth and the implementation of the Maastricht's convergence programmes.

The Commission's annual report, which was approved at yesterday's weekly meeting of the Commission, shows that only four counties – Denmark, France, Ireland and Luxembourg – met Maastricht's budget deficit criteria last year.

The EC deficit average increased from 4.6 per cent of GDP in 1991 to 5.3 per cent in 1992. The UK public finances showed a marked deterioration, with the deficit shooting up from 2.8 per cent of GDP in 1991 to 6.2 per cent in 1992 and a likely 8.3 per cent and 8.2 per cent in 1993 and 1994 respectively.

Differences between member states' inflation records narrowed by about 0.7 per cent to 4.6 per cent, but these were less favourable than in the US and Japan.

Recent devaluations inside the European exchange rate mechanism threaten to revive inflation among member states, the report says.

At the Commission meeting yesterday, several commissioners were reported to have expressed concern about continuing instability inside the ERM, and "social dumping" – whereby workers' rights are downgraded to attract international investment.

Mr Karel van Miert, EC commissioner responsible for competition policy, said a balance had to be struck between liberal economic policies and social policy.

# Fokker shares drop sharply after $540m loan request

By David Waller in Frankfurt and David Brown in Amsterdam

SHARES IN Fokker lost a quarter of their value yesterday after the hard-pressed Dutch aircraft manufacturer said it had approached Nationale Investeringsbank, the Dutch state-owned bank, for a loan of up to Fl 1bn ($540m).

The move intensified fears that Deutsche Aerospace (Dasa), the aerospace subsidiary of Germany's Daimler-Benz, was considering abandoning its plan to acquire a controlling stake in Fokker. It was also taken as a sign of mounting financial difficulties at the Dutch company.

Fokker shares closed 24.4 per cent lower at Fl 10.20. The shares were also dragged down by concern over the collapse this week of Daf, the Dutch truckmaker.

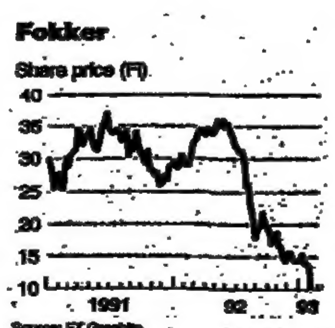
Although Dasa said it was still interested in taking control of Fokker, the German company is understood to be demanding a restructuring of the provisional takeover agreement signed at the end of October, arguing that Fokker's financial and business position has deteriorated since then.

Dasa agreed to pay DM800m ($553m) for a 51 per cent stake in Fokker as part of its long-term plan to create a new European regional aircraft consortium.

But the German group is understood to believe that after the deterioration of the civil aircraft market, which has particularly hit regional and commuter aircraft makers like Fokker, the capital injection from the Dutch authorities agreed under the original proposal is now insufficient.

Dasa is anxious to avoid repeating with Fokker the embarrassment of refinancing a company shortly after acquisition as it did after buying Dornier, the German aircraft maker.

It is willing to increase its own capital commitment to the company if the Dutch government increases its cash support.

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 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

**NEWS: EUROPE**

## The Hoover 'job poaching' case has infuriated France. FT writers examine the implications

# Social dumping: hardly an open and shut case

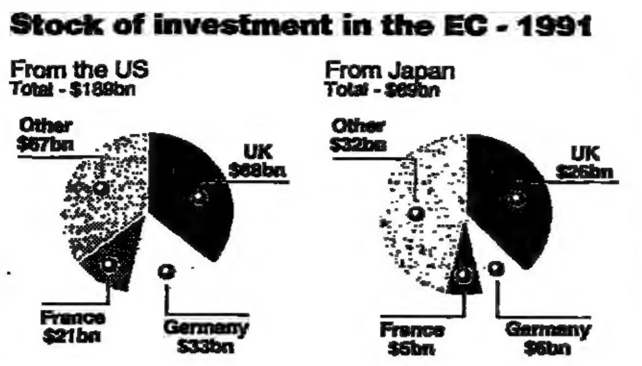
### The arguments about switching jobs between countries are not so simple, writes **David Goodhart, Labour Editor**

THOMSON Consumer Electronics, the state-owned French group, last year rationalised its European operations by closing its Ferguson television plant in Gosport, southern England, with the loss of more than 3,000 jobs.

The event scarcely merited a mention at the time on either side of the Channel. But some British trade unionists are now recalling it, as the acrimonious dispute over the transfer of work from Hoover's plant in eastern France to Scotland rumbles on.

This sort of cross-channel sniping reflects how completely relations between British and French unions have broken down.

But it also illustrates the difficulty facing unions in dealing with the ebb and flow of jobs across the European Community as a wave of recession-induced restructuring begins.




Following the British opt-out from the Maastricht social chapter, and the subsequent devaluation of sterling, many continental European workers and politicians fear that capital will be sucked into the "Hong Kong of Europe" at their expense.

The propaganda material of Britain's inward investment agencies certainly stresses the relative freedom of Britain's "hire and fire" workplace culture and the relatively low labour costs.

But the reality is that neither the opt-out nor the devaluation were factors in Hoover's decision to shift some jobs to Scotland.

Britain has always had a relatively unregulated labour market which used to be qualified by strong trade unions, now considerably weakened. British wages are also low by EC standards, but the real advantage enjoyed by the UK is low non-wage labour costs.

These are usually about 15 per cent of wage costs compared with more than 30 per cent in many other EC countries. That is partly because the UK pays for health care through general taxation while employers have to bear a large part of health care costs in several continental countries.

This clearly was just one factor in Hoover's decision but it is not something that the social chapter directly affects.

Mr William Foust, president of Hoover Europe, said yesterday that non-wage labour costs of only 10 per cent in Scotland, compared with 45 per cent in France, was a factor in the company's decision. But the decision was also influenced by the fact that the Scottish plant had spare capacity.

Hoover's decision is unlikely to herald any significant increase in Britain's comparative advantage. It is based on long-established factors which Hoover, a particularly footloose US investor in Europe, has often found attractive in the past.

Indeed Britain has always been the most popular destination for new international investment within the EC (see chart) and that has not changed markedly in recent years.

Until German car workers started to worry about the Japanese car industry investing in Britain, new international investment had not been the source of much tension, and is unlikely to be much of an issue over coming years as that new investment will not be plentiful.

On "beggar-my-neighbour" industrial restructuring within the EC, where one country loses jobs and another gains them, things are more complex.

But as the Thomson Electronics case illustrates, Britain has often lost out in such restructuring precisely because it is easier and cheaper to close plants in Britain than in most EC countries.

In the Thomson case at Gosport the average redundancy payment was $10,500 compared with $71,000 in Spain. In Holland, Spain, and Germany agreement on a redundancy package has to be reached with workplace representatives before closure is allowed. If, for example, British Leyland Daf decides to keep open its Belgian and Dutch plants and close only its British plant, as seemed possible yesterday, that differential cost of redundancy is likely to be a factor.

Britain also loses out from its relatively low skill base and poor educational standards, one reason behind Ford's decision to switch more of its R&D work to Germany. The "social dumping" theory that capital will flow to areas where labour is cheapest and least protected, dragging down labour standards elsewhere, has scarcely materialised in the EC because low wages are usually cancelled out by low productivity.

# Brussels expected to clear Hoover

By David Gardner in Brussels

MR Jacques Delors, president of the European Commission, has asked the Brussels civil service to investigate whether Hoover's relocation of jobs from Dijon in France to Cambuslang in Scotland infringes any EC regulations.

The investigation follows a complaint from France, which the Commission must examine.

Mr Delors and Mr Padraig Flynn, the social affairs commissioner, are to meet a delegation of workers from Hoover's Dijon plant in Brussels today, by when the Commission is expected to have concluded that it has no grounds to act in the controversy.

While officials in Brussels strongly criticise the fact that Hoover's new Scottish workers will have no access to pension rights and sickness benefit for the first two years of their contracts, most contend that the jobs transfer breaks no rules.

Nevertheless, Mr Delors is expected to use the Hoover case to press hard for a relaunch of the EC's social action programme, aimed at raising working conditions and rights, when the new Commission is invested by the European Parliament next week.

On Monday Mr Delors attacked the practice of "job-poaching" by the levelling downwards of workers' rights in order to attract investment.

Though he did not mention the UK or the Hoover case, French ministers meeting in Brussels did. The Commission president is also likely to raise the case at a European Socialist conference on jobs and growth in Brussels today.

Aides to Mr Delors say cases such as Hoover are bringing the EC further into discredit among workers unhappy about the Community's inability to generate growth and jobs.

One senior French official at the Commission remarked that "this looks very bad for Delors in France," where he is believed still to nurse political ambitions to succeed President François Mitterrand.

The Commission's social affairs directorate was yesterday examining whether the Hoover deal infringed highly technical clauses in the 1980 insolvency directive. These relate to adequate protection for workers in the hypothetical event of insolvency, and in this case focus on Hoover's use of surpluses in its UK group pension fund to invest in the company.

Officials acknowledge they are going through the motions, since the existence of the surplus indicates full coverage were Hoover to close.

# French promise to make Hoover pay dear

### **David Buchan** in Dijon discovers why the switching of jobs to Scotland touched such a raw nerve

"IT IS social dumping, and it's shameful," says a striker, stamping his foot yesterday outside Hoover's Longvic plant which is to lose most of its jobs to a more compliant Scottish workforce.

"We've nothing against the Scottish workers, just against Maytag (Hoover's owner) and the British government for not signing the European Social Charter," adds another worker. "The big lesson of the Hoover affair," says Mr Jean-Claude Quentin, secretary general of the local Force Ouvrière trade union, "is that social dumping does not necessarily come from south-east Asia, but from among us Europeans."

What is social dumping? Mr Richard Rankin, marketing director of Hoover Europe, says he is not sure. For him, Hoover has simply made a business decision to stem the red ink on its European operations by shifting all its vacuum cleaner production to its Cambuslang plant near Glasgow. This will entail the loss of 650 jobs at Longvic on Dijon's outskirts, but Hoover says it will save 25 per cent on its costs by having all vacuum cleaners made in one place.

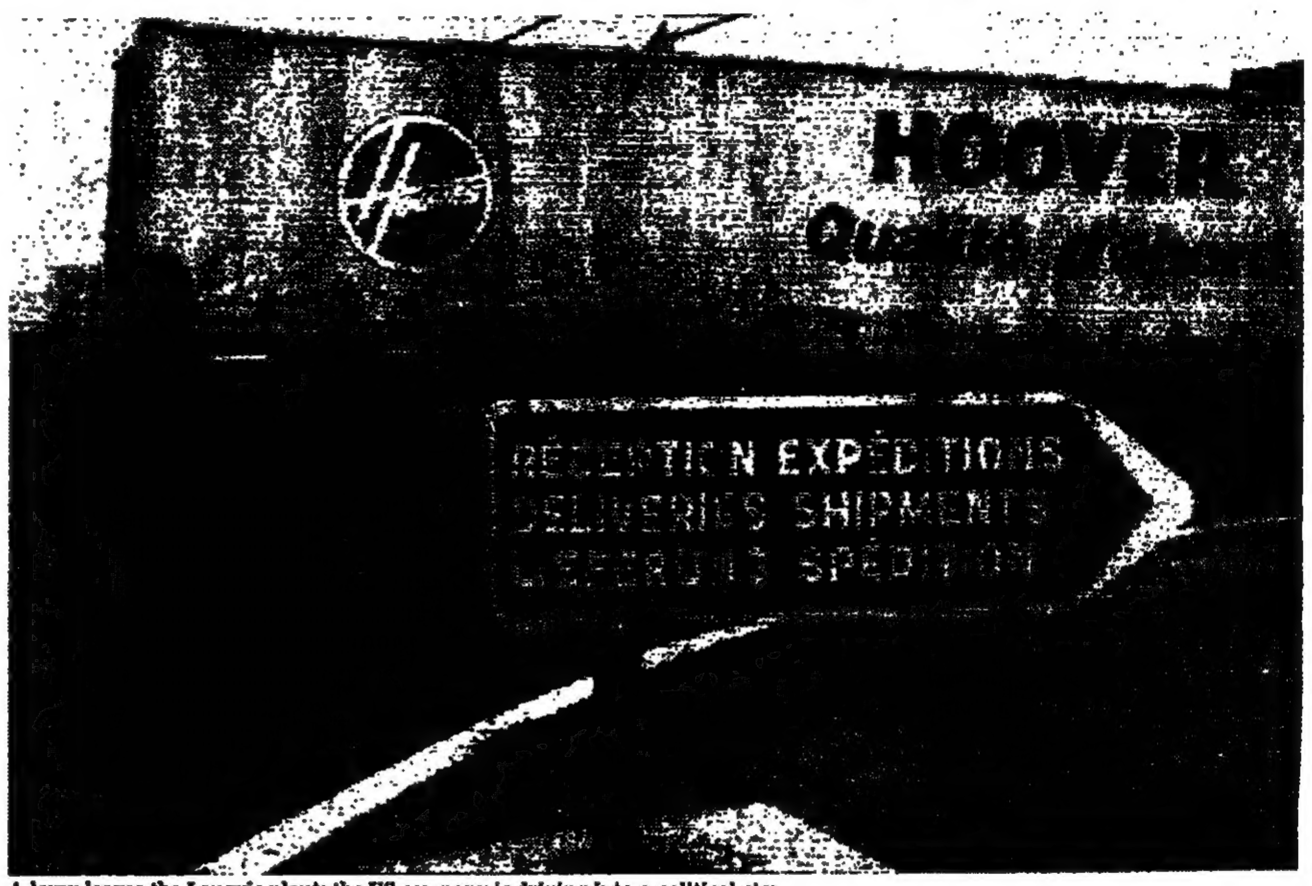
What is clear to everyone in France, as Mr Rankin ruefully acknowledges, is that "we have upset – and provoked a powerful reaction from – the French government, and we will have to deal with it."

That is an understatement. Egged on by all political and union leaders, the French government has asked the European Commission to investigate whether Hoover was unfairly or illegally bribed with social and financial concessions, into shifting production to Cambuslang, and made clear that it will make Hoover pay dear for its decision.

It is not clear whether Hoover will be able to carry out its decision. The government, for example, says the Hoover redundancies will be among the first to be affected by the new law sponsored by Mrs Martine Aubry, the labour minister who is also the daughter of Mr Jacques Delors, the European Commission president. This law requires employers to produce alternative employment plans for redundant workers, and, without the approval of the government, and effectively of the unions, redundancies will be legally invalid.

Why has the Hoover affair struck such a raw French nerve? It is not just that unemployment is bumping up against the 3m threshold less than two months before a general election, or that it is another sign that high interest rates and a strong exchange rate are killing the French economy. Other foreign companies are quitting France for lower cost venues, including the UK, with far less fuss.

What has aroused French fury is the public concessions made by Scottish workers to win 400 extra jobs at Cambuslang. These include limited period contracts for new workers, constraints on their right to strike, a freeze on regular pay this year and cuts in overtime pay rates, flexible working time and practices and the introduction of video cameras on the factory floor.



A lorry leaves the Longvic plant: the US company is driving into a political storm

To the French, this is a clear case of the competitive undercutting of worker pay and standards to attract investment, or social dumping as it is catchily known on the continent.

Not surprisingly, the Hoover management contests this. Mr Rankin says the company's decision to shift to Scotland was made on its calculation that it would cut costs by a quarter and that this calculation does not include the Cambuslang workers' concessions.

The other key factor, says Mr Rankin, was the fact that social charges amount to 40 per cent of the payroll in France and only 15 per cent in the UK. Actual pay rates in the two countries are similar, as was the government aid offered.

Why then did Hoover press its Cambuslang workers so hard? "We have responsibilities to our customers to produce as efficiently as possible, to our shareholders to save their money, and to our workforce," Mr Rankin says. "You may not think we have exercised this last responsibility in regard to the Dijon workforce, but we have in regard to Cambuslang and our total 3,600 workforce in Europe."

But Hoover never sought similar concessions from its French workforce. Why not? "The savings were so great in shifting to Cambuslang that the Dijon workforce would have to have made enormous concession to offset these," Mr Rankin says. Hoover would not, in any case, have found the Longvic workers pliable. Mr Jean-Marie Groscolas, distribution manager at Longvic and leader of the protesting workforce, says they offered to freeze their pay this year, but would have flatly refused any other concessions.

Alternative job prospects for the Hoover workers are not promising. The Burgundy region jobless rate has risen sharply in the last year.

None the less, its prosperity remains well above that of the Glasgow region. That economic gap explains much of the different attitude of the workers of Scotland and Burgundy.

# Another US group deserts France

By William Dawkins in Paris

THE controversy over loss of foreign investment in France deepened yesterday when two US companies – the paper group Kimberly-Clark, and a subsidiary of S C Johnson, the maker of cleaning products – both confirmed reductions in their operations.

Eurofab, an S C Johnson offshoot which makes Johnson's Wax near Tours, is to close with the loss of 193 jobs by June, to concentrate production at larger and cheaper sites at Mijdrecht in the Netherlands and Frimley in Britain.

This was part of a European restructuring plan announced by S C Johnson last September, in which plants in Spain and Portugal will also close with the loss of 400 jobs out of a European workforce of 3,250.

The group wanted "to concentrate production on high volumes and leading edge technologies, allowing the optimisation of quality and the creation of integrated supply chains. The level of investments needed is such that not all European production sites could benefit," it said.

Kimberly-Clark, meanwhile, is to cut 312 jobs at a plant near Rouen, one of its two French plants. About 150 workers will remain at the plant, which makes paper handkerchiefs, kitchen towels, hygiene products and industrial rags. The US group is investing FFr80m ($14.9m) to update the plant, and concentrate its European production of Kleenex there. No jobs are being transferred abroad.

# Kohl fails over subsidies for east

By Quentin Peel in Bonn

THE German government is to press ahead with draft legislation to implement its planned solidarity pact for east Germany, after Chancellor Helmut Kohl failed to reach agreement on sharing the burden yesterday with the premiers of the 16 federal states.

The battle over how to finance the soaring cost of subsidies to east Germany has now been postponed to a full-scale conference between the central government and the federal states, scheduled for March 11 and 12, the two sides announced last night.

In spite of the recognition that there are profound differences between them, and the government's insistence that it will now press ahead with its own plans for a supplementary budget, and longer term spending cuts, there was relief at the willingness to keep negotiating on an overall agreement.

The need for both the central government and the states to agree on a comprehensive package of budget cuts in the west, in order to finance subsidies in the east, was undoubtedly underlined by Mr Helmut Schlesinger, the president of the German Bundesbank, who attended yesterday's talks between Mr Kohl and the 16 state premiers.

Mr Kurt Biedenkopf, prime minister of the state of Saxony, in east Germany, and a Christian Democrat such as Mr Kohl, said everyone accepted the need to agree a package. He said that they were not simply arguing over dividing up budget cuts, but over a complete new system of public spending in the country.

The tussle is focused on a budget gap of DM110bn ($70bn) calculated for 1995, the year when a new division of taxes, and financial subsidies to the poorest regions, has to be agreed between central government and the states in both east and west. Until then, subsidies to the east are being borne by the German Unity Fund, largely financed by borrowing on the capital markets.

The new system will then dictate the distribution of funds between east and west for the foreseeable future.

The decision to table draft legislation in the cabinet on March 4, the day after Mr Kohl returns from a trip to the Far East, is influenced by the government's determination to maintain the pressure on all the parties to the proposed pact, and not allow it to be delayed by the complex debate over burden sharing.

There is growing confidence in government circles that a reasonable compromise can be reached in the ongoing wage talks with public sector workers, which reopened in Stuttgart yesterday. A settlement of around three per cent, compared with a current inflation rate running still above four per cent, would be a great relief to both central and state governments.

Arbitration also starts in the east today on the dispute between engineering workers and employers on long-term wage contracts: the employers are fighting to delay payment of a 26 per cent pay rise, due on April 1, and equalisation of eastern and western wages from April, 1994.

Reasonable wage deals on both fronts would be seen as a crucial contribution to the so-called "solidarity pact," in exchange for which the government is ready to prolong its subsidies of eastern manufacturing industries.

# Bérégovoy admits taking loan

By William Dawkins in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday admitted receiving a FFr1m ($180,000) interest-free loan from a businessman later charged with insider dealing. He said he had acted properly.

The incident, unearthed by the satirical newspaper Le Canard Enchaîné, could damage Mr Bérégovoy's image in the run-up to the March parliamentary election, though he has acted within the law and limited the impact by openly acknowledging the loan.

Mr Bérégovoy has built a reputation for integrity. He launched a campaign against political corruption last year, when he tabled an abortive bill to ban business donations to political parties. His own Socialist grouping rebelled against the plans, on the grounds that they would leave the party short of cash, and ensured they were watered down.

Mr Bérégovoy told Le Canard Enchaîné he accepted the loan in September 1986 from the late Mr Roger-Patrice Pelat, to go towards the purchase of a flat in Paris. He declared the loan to the tax authorities and repaid it in advance, following Mr Pelat's death in 1989.

Mr Pelat, a friend of President François Mitterrand, was charged with insider dealing in 1988, after making a profit on buying and selling shares in Triangle Industries before its acquisition by Pechiney, the French state-owned aluminium and packaging group. Mr Pelat died before a trial could be held.

# Czechs, Slovaks in sell-off row

By Patrick Blum in Prague

THE new Czech Republic is demanding Kcs19bn ($655m) from Slovakia to compensate it for the loss that it claims arises from the sale of state assets before Czechoslovakia split into two republics at the start of the year.

It has threatened to seize Slovak assets if the money is not paid.

The row over assets privatised in the former Czechoslovakia is threatening to cause further friction between the two new republics.

The Czech government says that the Slovaks must make up for the difference in the value of privatised assets bought by Slovak investors in last year's voucher privatisations.

The Czechs says Slovak investors took up a far greater proportion of equity in Czech companies than Czech investors in Slovak ones, and that this represents a massive financial handout to Slovakia. It wants the Slovak government to pay Kcs19bn in compensation, but the Slovak authorities say that they are willing to pay only about Kcs900m.

Mr Jiri Skalicky, Czech privatisation minister, says that unless an acceptable compromise is reach in three weeks, Slovak assets will be seized. He says the Czech government offered more property for privatisation than the Slovak one, and that the privatised Czech companies have a higher real value than their Slovak counterparts.

"In our agreement on dividing the [Czechoslovak] state last year it was also agreed that privatisation should continue but that it should be balanced," he said.

● The old Czechoslovak crown will be split into separate Czech and Slovak currencies next Monday, the governments of the two new republics said following approval for the move by their respective parliaments.

From today citizens in both republics can change Kcs4,000 for newly-stamped Czech and Slovak bank notes at banks and post offices.

# New technology ruffles HDTV plan

By Andrew Hill in Brussels

THE European strategy for developing wide-screen cinema-quality television risks being overtaken by different technologies and may have to be revised, according to the EC's new telecommunications commissioner.

But Mr Martin Bangemann, the EC's industry commissioner, said the objective of European high-definition television (HDTV) would not be abandoned, and the Commission would not renounce its five-year Ecu500m ($615m) "action plan" to develop HDTV. "We can't reinvent the world every day," he said.

Mr Bangemann took on responsibility for telecoms, including HDTV, last month. The original objectives of the action plan have been thrown into doubt in recent months by British opposition to the strategy. The UK believes the cost of the plan is not justified and that the full HDTV standard backed by the Commission – known as HD-Mac – could soon be overtaken by digital norms, which can be used for terrestrial as well as satellite broadcasts.

Mr Bangemann said: "At this stage we don't see any signs of the UK showing more flexibility."

Under those circumstances, he added, the Commission might have to revise its strategy, taking into account that digital technology could become a feasible alternative to HD-Mac within three to four years.

He suggested a revised action plan might concentrate funds on the development of wide-screen television equipment, "flat" television sets with liquid crystal displays, and the production and conversion of programmes which could be broadcast in the wide format.

There seems to be a growing realisation even among supporters of the HD-Mac strategy that further delay will undermine the Commission's original objectives. Earlier this week, Philips, the Dutch equipment manufacturer, said it would not move to production of HD-Mac television sets unless funding became available for programmes in the same standard.

Mr Bangemann stressed that he had not yet discussed his ideas with industry and member states. If he attempts to change the strategy too radically he will face fierce opposition from the Netherlands and France. They are solidly behind their manufacturers, Philips and Thomson, both of which have invested heavily in HD-Mac technology.

# French urged to adopt limited PR

A FRENCH multi-party commission yesterday suggested introducing some proportional representation into the electoral system, which currently gives large parties the lion's share of seats in parliament, Reuter reports from Paris.

But small parties with little or no parliamentary voice – the environmentalist groups Generation Ecologie and the Greens, the Communists and the far-right National Front – called for more radical changes.

Mr Pierre Bérégovoy, the Socialist prime minister who appointed the commission last June to look into reform, noted that no changes would be made ahead of parliamentary elections in March.

The report should become a reference work for any government wanting to resolve the ongoing debate on the electoral system, he added.

The 19-member group of parliamentarians and legal experts suggested that one tenth of the 577 National Assembly members be elected by proportional representation.

The remaining deputies would be elected by the current system – by which candidates go to a second, first-past-the-post round of voting if they fail to win an outright majority in the first.

The current system means parties such as the combined ecology list, tipped by opinion polls to take as much as 20 per cent of the vote, could win just a handful of seats in March.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NEWS: EUROPE

Vance and Owen seek to overcome Washington's reservations

# Mediators push Bosnia peace plan

By Robert Mauthner in New York

THE international mediators for a settlement of the Bosnian conflict, Mr Cyrus Vance and Lord Owen, continued their uphill battle yesterday to win the UN Security Council's and the US's endorsement for their peace plan.

In the face of what appear to be serious reservations by the Clinton administration about aspects of the plan deemed to favour the Serbs, the mediators have adopted a remarkably robust stance to hammer home their view that the proposed solutions are fair and equitable.

Lord Owen in particular has not hesitated in newspaper and TV interviews to pour ridicule on the arguments of members of the American political establishment who, while calling for international military intervention to stop the killing of Bosnian Moslems, do not seem to be prepared to send ground troops to Bosnia.

Calls for the lifting of the UN arms embargo to help the Bosnian Moslems have been given equally short shrift by Lord Owen, who has pointed out that such a move would lead not only to an intensification of the fighting, but would not be accepted by the British or the French, let alone the Russians. The consensus that has been built up in the Security Council since the end of the cold war could thus be completely wrecked.

Even Mr Cyrus Vance, the UN's representative and a former US Secretary of State, has lost his customary calm under persistent criticism of his negotiating stance. He treated a suggestion at a press conference at the UN on Tuesday that he was appeasing the Serbs as "absolute hogwash" which made him "pretty damned angry".

From Mr Vance, that is fighting talk.

The mediators, whose plan has been approved by at least four of the five permanent members of the Security Council, were due to continue their consultations with the other 10 Council members yesterday.

● Laura Silber adds from Belgrade: The UN met Croat and Serb leaders from the enclave of Krajina yesterday, amid clashes in the disputed territory and throughout Bosnia Hercegovina. Serb commanders in Krajina accused Croat forces of pushing forward across UN lines, Belgrade radio said.

Mr Boro Martinovic, a member of the self-styled Krajina government, yesterday confirmed that UN officials were meeting both sides in an attempt to begin talks towards ending the clashes. He said Krajina's Serb leaders had been invited to attend talks at the UN. "But we continue to insist Croat forces unconditionally withdraw to the confrontation line, as called for by the Security Council," he added by telephone from Knin, the mountain-top centre of Krajina.

In Bosnia the UN High Commissioner of Refugees suspended humanitarian convoys along the route from the southern city of Mostar to Sarajevo. A UNHCR relief convoy on Tuesday was shelled in a valley near Mostar, killing one person and seriously wounding another. Croatian radio blamed the attack on Serb forces.

Further south, the radio said Serb forces yesterday launched a counter-offensive on the Mostar-Stolac lines. In a conflicting report, Srna, the Bosnian Serb news agency said Croat forces had launched the attack.

Lord Owen (left) and Mr Cyrus Vance, co-ordinators of efforts by the United Nations to end the civil war in Bosnia-Hercegovina, speaking to reporters at a news conference at UN headquarters in New York yesterday

# Romania private sector surging

By Virginia Marsh in Bucharest

ROMANIA'S fast-growing private sector, concentrated in trade and services, contributed more than 25 per cent to gross domestic product last year, the national statistics commission's preliminary report for 1992 says.

The 400,000 private companies and businessmen registered since 1989 handled 32 per cent of imports and 26 per cent of services last year, doubling their share of retail sales to 45 per cent.

But private-sector growth failed to offset the continuing state-sector decline, with GDP falling about 15 per cent to $510 (£337) per head, making Romania the poorest country in Europe after Albania.

Industrial production, more than 90 per cent state-controlled, fall 21.8 per cent last year, contributing to a 54 per cent drop in output since 1989. Agriculture, where privatisation has been faster, saw a 9.2 per cent fall in output. The report cites shortages of raw material imports as a main cause for the falls.

A 13.6 per cent increase in exports helped narrow Romania's trade deficit to $938m, down from $1.3bn in 1991. Top exports in 1992 included metals and metal products, textiles and chemicals.

The budget deficit jumped to 3.6 per cent of GDP, against 1.5 per cent in 1991. Inflation fell to 199 per cent, down from 265 per cent in 1991. But devaluation since the summer has pushed up import costs.

# Hungary signals state utilities sell-off this year

By Nicholas Denton in Budapest

HUNGARY, anxious to maintain the momentum of foreign investment and privatisation, is to sell its main national utilities this year, the government announced yesterday.

Telecommunications, gas distribution and electricity sectors, as well as the state-owned commercial banks, all stood on the threshold of privatisation, said Mr Tamas Szabo, minister for privatisation.

Big western European gas utilities, France Telecom and British Telecom have already examined their Hungarian counterparts; and Bayerische Landesbank, the Bavarian bank, expressed an interest in taking a stake in Hungary's Magyar Külkereskedelmi Bank.

The authorities have given no precise timetable but Mr Szabo said that the transactions would get under way this year and some could be completed before the end of the year.

Hungary needs the "big projects" to take up the running from consumer goods and food companies which have provided the momentum for privatisation so far. The finalisation of large deals is essential if Hungary is to follow up last year's foreign investment inflow of an estimated $1.7bn (£1.18bn) and privatisation proceeds of Ft67.6bn (£553m).

The large transactions are particularly important at a time when Hungary – which has accumulated more foreign capital than the rest of eastern Europe put together – faces competition from Poland and the Czech Republic.

Budapest's ambitious programme for utility privatisation depends heavily on the government's ability to draw up and pass through parliament legislation setting regulatory frameworks for each sector. Potential investors' valuations of their acquisition targets hinge on price regulation and so far only a telecommunications act is in place.

The privatisation of Hungary's four large state-owned commercial banks similarly rests on the implementation of a coherent strategy to "consolidate" institutions' bad loans. The Finance Ministry, at odds with the privatisation authorities, is reluctant to countenance a debt write-off sufficiently generous to make the banks attractive to investors.

The ministry, under pressure from an International Monetary Fund delegation currently in Budapest, is worried about the budgetary consequences of a debt write-off.

The authorities, torn by internal divisions, have delayed a formal announcement that Credit Suisse First Boston, the investment bank, has won the hotly-contested mandate to advise the government on privatisation strategy for the banking sector.

The drive to privatise the utilities and banks must also contend with a heightened political sensitivity about foreign economic domination, much in evidence at the recent annual congress of the Hungarian Democratic Forum, the governing centre-right party.

# Groupe Bull offshoot to share US air force order

By Alan Cane

ZENITH Data Systems, the personal computer arm of Groupe Bull of France, and Government Technology Services Inc. of Chantilly, Virginia, have been jointly awarded a controversial $724m (£479m) contract to supply personal computers to the US air force.

The award of the contract, known as Desktop Four, should end one of the longest-running sagas in recent military procurement history. Ironically, the contract, for about 300,000 personal computers, was placed under new Pentagon procedures designed to speed procurement.

Zenith, of Hernden, Virginia, has been a subsidiary of Groupe Bull, the troubled French computer manufacturer since 1989.

Government Technology Services Inc is a large systems integrator and equipment supplier specialising in the government market. The award of the contract seems to be a victory for those who were critical of an earlier decision, which was announced last summer, to give the contract in its entirety to Zenith.

Protests came from competitors including Apple Computer and Electronic Data Systems.

Just before last Christmas, to the consternation of Groupe Bull and Zenith, some of the protests were upheld, throwing the future of the contract into confusion.

The protests were upheld on the grounds that Zenith's monitor screens did not comply with the Trade Agreements Act designed to ensure substantial US labour content in products sourced abroad and that the Air Force had not considered sufficiently the advantages of sourcing from more than one supplier.

It is still not clear what proportion of the order will go to each company.

It is understood, however, that the terms of the contract provide each company with a licence to sell its products to the Air Force.

Each will be forced to fight for its share of the overall contract.

The Air Force said yesterday that the computers, printers, software and other equipment will be supplied by the companies by February 1996.

Some 370 bids for the contract had been received, along with 22 proposals.

The award comes as a great relief to Groupe Bull which is still losing money and which was counting on Desktop Four to generate revenues, re-establish its credibility and show that foreign ownership was no bar to doing business with the US government.

It is not know yet whether the disappointed competitors will appeal one more time against the latest decision.

# WWF worried on trade rules

By Frances Williams in Geneva

DRAFT rules designed to reduce technical barriers to international trade will block and even reverse government efforts to raise environmental standards, the World Wide Fund for Nature said yesterday.

A WWF report on the proposed new Technical Barriers to Trade agreement, negotiated in the 112-nation Uruguay Round of trade liberalisation talks, says that the accord would prohibit some environmental regulations and open others to challenge as being trade-restricting.

Mr Charles Arden-Clarke, WWF policy analyst, said yesterday the draft TBT agreement would "cripple national environmental policies and counter efforts to conserve the Global Commons."

Regulations on the use and transport of toxic chemicals, factory pollution and vehicle emissions could be weakened by the new rules.

The WWF report underscores reservations already expressed by the US and some other countries about the draft TBT text, which aims to ensure that technical regulations and standards do not create unnecessary barriers to trade.

The draft already recognises that countries should not be prevented from taking measures to protect consumers or the environment.

But the draft also requires countries to use international standards, where they exist, unless they can show that these are inappropriate or are ineffective.

The US wants revised wording that would stipulate countries' rights to set environment, consumer and safety standards above international norms. The US and environmental groups have similar concerns over a draft Uruguay Round agreement dealing with measures to protect plant and animal health.

Mr Arden-Clarke said yesterday that the US change would be an improvement but it did not tackle the fundamental problem in that the TBT accord gave precedence to free trade over environmental protection.

The TBT agreement, which would apply to most if not all of the 105 members of the General Agreement on Tariffs and Trade (Gatt), would replace the present voluntary code, which has 37 signatories.

# IMF puts terms for Moscow loan

By Leyla Boulton in Moscow

NEGOTIATIONS on a standby programme which could unlock an extra $3bn (£1.9bn) International Monetary Fund loan could start as soon as Russia confirms it will take decisive action on macroeconomic stabilisation and structural reform, Mr Michel Camdessus, IMF managing director, said yesterday.

He told Izvestiya newspaper that the world would "not understand" if Moscow repented what it did last year: agree an ambitious programme but not implement it.

But he added that western financial support would only be forthcoming if Russia took action to strengthen monetary and financial policy.

It would also have to take steps to ensure that "the money stays in Russia and does not immediately end up in bank accounts in Zurich, Paris or London".

Mr Camdessus also called on the government to stop hyperinflation "at any price", saying that many democrats around the world had been "killed" by it.

In a likely reference to the political backlash against the IMF in Russia last year, Mr Camdessus was also at pains to stress that any programme would have to suit not just the Fund, but would need to be trusted and accepted by Russian society.

He said the west had delivered all the $24bn package promised to Russia last year except for a $6bn rouble stabilisation fund.

Russia had received debt relief worth $7.2bn, plus $12.6bn fresh credit from other countries, the EC, the European Bank for Reconstruction and Development, and finally a first $1bn from the Fund.

● Russian exports fell 25 per cent last year to $38.1bn in sales outside the former Soviet Union, the official Goskomstat statistics agency reported yesterday.

The final results for 1992 crown a year which started with initial government hopes for an export boom, soon followed by an attempt by the Foreign Economic Relations Ministry to suggest that exports had stabilised to 1991's level.

# Mitsuzuka: one putt away from premier

## LDP faction leader is out of the bunker and on course to win, says Robert Thomson

JAPANESE politicians are fond of comparing their fortunes to those of golfers. A year ago Mr Hiroshi Mitsuzuka was trapped in a deep bunker. His faction in the ruling Liberal Democratic party was falling apart, and other leaders were settling old rivalries by excluding his allies from senior government posts.

Now Mr Mitsuzuka is a short putt from the prime ministership. The turmoil within the LDP has left him with the largest faction, and he heads the party's Policy Affairs Research Council, which is leading debate on constitutional and political reform. *It* is a comeback highlighting the importance of what Japanese politicians call "the recovery shot".

The present tasks for Mr Mitsuzuka, 65, are to stay out of scandal's way and *project a statesman-like image*. In the quest for that image he has recently been pressing the case for *political* reform.

Yesterday Mr Mitsuzuka told Mr Kiichi Miyazawa, the prime minister: "We *need political* laws to stop corruption, like those introduced by Gladstone in 1883 [The Corruption and Illegal Practices Act]."

The comment recognises that the expense of Japanese politics tempts players to take illegal donations and provide unethical favours, as was the case during the Tokyo Sagawa scandal. Mr Mitsuzuka yesterday insisted that the scandal involving a trucking company was "a thing of the past" and "of interest only to academics".

He may be underestimating the *anger of ordinary Japanese over the* affair, which involved payments to leading politicians and the prosecutors' lenient treatment of Mr Shin Kanemaru, the former "godfather" of Japanese politics, who was fined only Y200,000 for the illegal receipt of Y500m (£2.7m). But it is true that Japanese prosecutors have closed the casebook on Sagawa.

The public does *appear to be losing* interest in the case, with the result that Mr Miyazawa's popularity is on *the rise, from the depths of* 12 per cent at the height of the scandal to around 20 per cent.

Faction heads such as Mr Mitsuzuka are fortunate that new political groups are struggling to get funds *from recession-hit Japanese companies*, while an imperial wedding scheduled for June has provided a *welcome distraction* from scandal.

In professing his enthusiasm for political reform, Mr Mitsuzuka said the *country's multi-seat* constituencies were the cause of Sagawa-like scandals and should be a replaced by a single-seat system similar to that of Britain.

Yet a cheaper political system would undermine the power of patronage that comes from running a faction and dividing up constituencies with other faction heads.

Mr Mitsuzuka admits that political reform may "hurt me personally", but change is necessary because "politics is a public thing and we must think of the next generation". But he has also suggested in recent days that the reforms need not be introduced rapidly.

Both Mr Mitsuzuka and Mr Michio Watanabe, the foreign minister and *the other likely candidate for the leadership*, have hinted that Mr Miyazawa may run for a second term as prime minister when his term expires in September. Yet Mr Miyazawa often appears to lack confidence and has been considered an uninspiring leader at a time of political and economic crisis.

Not that Mr Watanabe or Mr Mitsuzuka will necessarily provide enough inspiration to ensure the longer-term survival of the old order, but the collapse late last year of the Takeshita faction, then the largest, has left them at the helm of the party's destiny.

The health of Mr Watanabe has been questioned while Mr Mitsuzuka argues that his experience as a foreign and trade minister qualify him to handle a tense trade relationship with the US. He said yesterday that "it is no surprise" that bilateral tension has risen with the coming of a new US president, since Mr Bill Clinton had campaigned on economic issues and Japan appears to be one of those issues.

But Mr Mitsuzuka will need to work *to erase a popular perception* that his faction is "right wing" and, perhaps, not the best to be presiding over a *sensitive debate on a wider role* for the Japanese military. And he is thought by some colleagues to lack the negotiating skills necessary to secure the passage of important legislation.

Mr Mitsuzuka can claim credit for being the first Japanese leader to caution the Chinese government over its military build-up. During a visit to Beijing late last year he expressed concern over plans to expand naval offensive capacity and the rapid upgrading of technology by the People's Liberation Army.

"We are not too accommodating towards China. I tell the Chinese at every opportunity that it is not in their interests to have the world *against them on the issue of human rights*," he said.

On the debate over the so-called "peace clause", Article Nine of the constitution, which renounces the use of force to settle disputes, Mr Mitsuzuka said changing the constitution, technically, was a very simple matter. "All we have to do is add a new section to the existing Article Nine explaining that a United Nations request would override that clause."

However, he acknowledged that winning public support for such a change is a "delicate problem". He suggested that 80 per cent public approval will be needed before the constitution is changed, or added to before Japan can take a more active international role.

Having prospered, so far, from the upheaval *within the* LDP, the newly-confident Mr Mitsuzuka quoted Mr Mikhail Gorbachev. In assessing the need *for further change in Japan*, he said, those who do not respond "adequately" will be "left behind by the flow of history".

Likely candidates: Hiroshi Mitsuzuka (left) and Michio Watanabe

# Tokyo likely to cut discount rate to 2.5%

By Charles Leadbeater in Tokyo

THE Bank of Japan is expected to cut its official discount rate today after its governor, Mr Yasushi Mieno, said yesterday there was a need to support an economy which had fallen into a worse-than-expected condition.

The bank's policy-making board is expected to decide to *cut official interest rates from* 3.25 per cent to 2.5 per cent, the low that interest rates reached during the peak of the bubble economy between 1987 and 1989.

The move would mark the bank's acceptance that the downturn in the economy has spread well beyond the real estate and financial services sectors badly hit by the bubble's collapse. Mr Mieno said there were growing signs small businesses in regions not affected by the bubble were also being hit.

The cut would be the sixth in the official discount rate since September 1991, when it stood at 6 per cent. Mr Mieno, known as a tough financial disciplinarian, has come under mounting political and business pressure to deliver the cut. The last 0.5 percentage point reduction was six months ago. Since then the economy has fallen close to outright recession.

However, employers' leaders yesterday signalled that they did not believe the historic low of 2.5 per cent was sacrosanct. Mr Takeshi Nagano, president of the Japan Federation of Employers' Associations said that the authorities should consider a seventh cut if the economy failed to recover.

The expected reduction *helped to strengthen* the Tokyo stock market yesterday. The Nikkei average rose to a high *of 17,419 before falling back to* close 35.7 points up at 17,222 after traders took profits.

*Speculation about the cut* also helped to revive the trading volume, which has been in the doldrums for weeks.

Money market rates for three-month certificates of deposit fell to a record low of 3.25 per cent, while the yield on the 10-year benchmark bonds rose 6 basis points to 4.34.

An interest rate reduction would immediately benefit Japan's commercial banks, which will see their profit margins expand because the cost of borrowing money from the central bank will become cheaper. A cut might also help to stimulate consumption of larger items such as cars.

GOVERNMENT ACCUSED OF COVER-UP

# Kuwaitis seek end to secrecy on fraud probe

By Mark Nicholson in Cairo

KUWAITI parliamentarians and journalists said yesterday they would defy a ban imposed by the Gulf state's public pros*ecutor on issuing any unsanc*tioned information concerning alleged fraud in the management of Kuwait's overseas investments and at the state-owned Kuwait Oil Tankers Company.

Mr Mohammed al-Banai, who is leading the government's investigations into the two affairs, announced the ban on *Monday, into a torrent of criti*cism that he was party to a government cover-up. He forbade any public *statement* on either matter without his written permission.

Members of the opposition-dominated national assembly said yesterday parliament would study the ban to see if it was constitutional. But Mr Hamad al-Jouan, who chairs the assembly's legislative committee, said the prohibition in *his view was* "against the law as I know it". He added: "For my part I will say whatever I *know about these things – it is* in the public interest and the interests of Kuwait."

The ban also angered local journalists, who have enjoyed considerable freedom since the end of the Gulf war and have led in making public disclosures into alleged corruption at KOTC. Many said the ban was an attempt by the government *to block potentially embarrass*ing revelations.

Mr Ghanim al-Najjar, a columnist at *al-Wattan* newspaper, said: "The press is a vital force in opening this issue up. Without the press, investigations by the government would not have reached this stage."

The curb muddies the government's stated intention not *to obstruct parliamentary or* press freedom in connection with the investigations, which are the *focus of considerable* interest in the Gulf state.

Sheikh Saud Nasser al-Sabah, the information minister, said last week that Kuwait's press was entirely free and that the government would give an "open door" to the national assembly's efforts to look into alleged scandals.

Mr Mohammed al-Sagr, edi*tor of al-Qabbas, said he would* continue to publish information on both affairs, though *without naming names*.

Mr al-Banai has refused any comment on his investigations into the Kuwait Investment Office's lossmaking Spanish investments and into an alleged multi-million dollar fraud at KOTC. But he said on Monday that any information spread by Kuwaitis risked damaging the "public interest".

The *public prosecutor* is understood to have detained for questioning at least one former *top official* at KOTC over an alleged fraud said by Mr Ali al-Baghli, the oil minister, to amount to at least $13m (£8.6m). Al-Qabbas newspaper has already named two former KOTC officials in connection with the investigation.

*According to* local *media* reports, and some senior Kuwaitis, Mr al-Banai is *looking into claims that* some senior officials at KOTC chartered oil storage tankers to the government at a profit, pocketing the difference.

Mr al-Banai is also understood to have frozen the Kuwaiti assets of three ex-employees of KIO, and their direct relatives, although no charges against them have been brought in the Gulf state. Spain's senior monetary court last week rejected a criminal *lawsuit brought* by Torras, the KIO's Spanish holding company, against seven of its former executives. Torras is appealing the decision.

Hong Kong Governor Chris Patten arriving at hospital yesterday in the colony, where he underwent a 2½-hour operation, under local anaesthetic, to clear narrowed coronary arteries, Reuter reports from Hong Kong. Doctors predicted a rapid recovery. The governor would remain in hospital for two or three days and then rest at home for a week, his spokesman said.

# Seoul sees easing of relations with North

By John Burton in Seoul

THE South Korean government predicted yesterday that its tense relations with North Korea will ease later this year.

Progress in inter-Korean relations has been blocked for the past year by Pyongyang's refusal to allow Seoul to make challenge inspections of suspected nuclear weapon facilities.

South Korea and the US will also resume their suspended annual "Team Spirit" military exercise in March in an effort to force Pyongyang to make a concession. North Korea has responded by breaking off *talks on nuclear inspections* and other issues with Seoul.

But senior Seoul officials *meeting on the unification* issue said yesterday that North Korea would ease its stance once the exercises were over because of the need to revive its troubled economy. Seoul estimates that the North Korean economy contracted by 5 per cent in 1992 due to an oil shortage that is hampering industrial production.

In spite of the political stalemate between the two Koreas, Mr Kim Dal Hyon, the North Korean deputy prime minister, met executives of several big South Korean conglomerates, including Samsung, Daewoo and Lucky-Goldstar, in Beijing two *months ago to discuss* investment in North Korea.

North Korea has also *recently made attempts to* improve relations with Japan and the US to attract foreign investment.

# Belgium decides to pull out paratroops

BELGIUM yesterday decided to start withdrawing its paratroops from Congo's Brazzaville by the weekend, after most Belgians who wanted to flee the violence in the Zairean capital Kinshasa had already been evacuated, AP reports from Brussels.

"The government has decided to start the retreat of its troops in Brazzaville on Friday," a government spokesman said.

He said that 600 Belgians remained in Kinshasa *after* 864 had been repatriated with government help in the wake of *the riots that swept the city* this week.

Heavy weapons fire erupted late on *Tuesday and tracers* could be seen over Kinshasa's skyline, but no information was *available on the* circumstances of the firing.

Zaire's opposition said on Tuesday that President Mobutu Sese Seko's special forces had killed at least 1,000 people, mainly regular army troops after soldiers rioted to protest at being paid in new banknotes that they considered worthless.

Belgium yesterday impounded a cargo of the new notes in Ostende after Zaire's *transitional government* asked for the move, the Belgian Foreign Ministry said, Reuter *reports from Brussels*. "*The* transitional government asked the Belgian government not to *authorise the departure of the* plane with its cargo to Zaire and to seize the banknotes," *the statement said. The bank*note is the highest denomination in Zaire but is worth less *than two dollars*.

West loses patience with enemies who refuse to compromise

# Angolan government sounds alarm

By Julian Ozanne in Nairobi

ANGOLA'S embattled government made a desperate *plea for help yesterday*, calling on the international community not to abandon the country *following* the bitter fighting that followed the disputed general elections under the auspices of the *United Nations*.

The appeal is likely to fall on deaf ears. Both the government *in Luanda and the rebel Unita* movement are to blame for the resumption of a brutal civil war which has *cost up to 10,000* lives since last November. Besides, with the cold war *over, Angola no longer has* strategic value for major powers.

Both warring factions also seem unwilling to make the necessary concessions to bring the conflict to an end. Peace talks in Addis Ababa last weekend failed to agree a ceasefire in the conflict, which flared after Unita had refused to accept the elections held in September and the government then took the opportunity to launch a bloody purge of Unita *in the cities*.

The former Marxist government and Unita remain locked *in the bitter personal, tribal* and ideological rivalries which fuelled the 1975-1990 civil war. *Diplomats say there is little* hope of concrete results for a second round of talks due to *take place next week, and the* United Nations is scaling down its presence and preparing to withdraw from the country in April if no progress has been made towards peace.

In the meantime, there is little respite for Angola's 10m people or for the mineral-rich economy of a country which could become one of Africa's richest and spur an economic *revival throughout southern* Africa.

Up to 1m people are facing *starvation this year as the* fighting disrupts aid operations.

*The oil* industry, which produced 550,000 barrels a day last year and is the backbone of the *war-crippled* economy, has been severely hit by the renewed civil war. Unita has captured Soyo, *which* is Angola's second-biggest oil centre, causing a loss of 90,000 barrels per day, worth more than $1.5m (£990,000) a *day*.

Unita has also threatened to attack offshore oil platforms in the oil-rich enclave of Cabinda, which produces two-thirds of national output.

The Cabinda Gulf Oil Com*pany has been evacuating* scores of expatriates. This week, Unita kidnapped 15 Angolan oil workers in the Cabinda region.

# Soweto violence in dispute over taxis

**ANGRY taxi drivers yesterday stoned buses and attacked bus drivers in Soweto, South Africa's biggest black township, and police were trying to stop the protest spreading into central Johannesburg, Reuter *reports from Johannesburg*. Two people have been killed and dozens injured in running battles between police and the protesting taxi drivers in the South African commercial capital, which was declared an unrest area on Tuesday night.**

**The drivers allege that they are constantly harassed by police and are demanding government subsidies.**

## Cabinet shuffle in Algeria

**Algeria yesterday dropped its veteran foreign minister, Mr Lakhdar Ibrahimi, and three others in a cabinet reshuffle, Reuter reports from Algiers.**

**Mr Ibrahimi was replaced by Mr Redha Malek, a member of the collective presidency, and said to be and acquaintance of the US secretary of state, Mr Warren Christopher.**

## Germany sells 39 navy ships

**Germany has sold Indonesia 39 navy ships from the stocks of the former East Germany, government officials said yesterday, Reuter writes from Bonn. Officials, who declined to be named, said that the ships were mainly minesweepers and patrol boats.**

## Kabul clashes as UN retreats

**Guerrillas bombarded Kabul *with rockets yesterday, killing* 14 people, as mediators tried to negotiate a peace between *President Burhanuddin Rab*bani and the fundamentalist leader, Mr Gulbuddin Hekmatyar, Reuter reports from Kabul.**

**The UN said it had withdrawn staff from Jalalabad and Kandahar a day after gunmen ambushed and killed three UN staff and a Dutch consultant.**

## Somalia faces security curbs

**The UN is discussing plans that will give a multinational force in Somalia greater powers to enforce law and order and a ceasefire, a UN official said, Reuter reports from Mogadishu. He said the discussions, mainly on the role of the Somalia mission, expected to come under UN command later this year, involved the secretary-general, Mr Boutros Boutros Ghali and the Security Council.**

## Consular cuts

**The Philippines said it will close 12 consulates and nine of the country's 60 embassies, as a cost-cutting measure, AP reports from Manila.**

**NEWS:** THE AMERICAS

# Nunn flexes his muscles but keeps his cool

By Jurek Martin

SENATOR Sam Nunn was in a magnanimous mood on television yesterday morning. He said of President Bill Clinton: "I admire him greatly, I think he's going to be a terrific leader." They might disagree on the admission of homosexuals to the US military but the views on both sides were "sincerely held" and there ought to be no spill of animosity into other important issues. "Contrary," he added, "to what you may have read."

For Mr Clinton, this was a useful olive branch from a fellow-Democrat who has emerged as his first and biggest opponent in Washington. Mr Nunn made clear that he would oppose any Republican attempts to codify the existing ban on homosexuals by tagging an amendment to this effect on to the popular family leave bill.

Later in the morning he so voted in the Senate.

But what the senator from Georgia, chairman of the armed services committee, gives he can also take away.

He had enough to say yesterday to serve as warning to the president not to commit the cardinal sin – which is failure to consult.

Joint protestations to the contrary, there are many in Washington who do think bad blood exists between the senator and the president. Mr Nunn, a proud man and sometimes dour, is assumed to have harboured presidential ambitions of his own, now damped down by the arrival of another southern Democrat in the White House.

He was never the warmest supporter of Mr Clinton during the presidential election last year, absenting himself from the campaign in his home state at the height of the Gennifer Flowers affair last spring. In the early summer, when Mr Clinton was running third behind President George Bush and Mr Ross Perot in the polls, Mr Nunn did not exactly discourage speculation that he might be available as a compromise candidate.

Mr Clinton has a long political memory. His preference for Congressman Les Aspin over Mr Nunn for the post of secretary of defence in the new administration may well have been influenced by presumed slights from the senator, as well as by knowledge of the difficulties he might have with Mr Nunn in the Pentagon over gays in the military and the more pressing questions of defence budget cuts and reorganising the armed services.

Mr Nunn's views on both issues – and his close relationship with General Colin Powell, head of the joint chiefs of staff and a formidable political operator in his own right – will still create problems for the president in the months ahead.

Yesterday, Mr Nunn was more inclined to change the subject, commending Mr Clinton's renewed focus on economic and social policy issues. Still, he warned that any economic stimulus in the US had to be accompanied by commensurate deficit reduction proposals over the longer term, and he preferred putting higher taxes on social security pensions to suspending cost-of-living adjustments.

Even on the issue of gays in the military, on which his committee is to hold hearings soon, he warned: "I may take into account things I have not yet thought about." In the present mood, that is about as much as Mr Clinton could have expected.

## Clinton set for first legislative victory

# Swift passage likely for family leave bill

By Jurek Martin in Washington

*THE FAMILY* leave bill yesterday began what looked like a rapid passage through both houses of Congress as Republican attempts to modify and amend it failed to muster sufficient votes.

The bill, twice vetoed by former President George Bush, would require companies with more than 50 employees to provide up to 12 weeks' unpaid leave for family exigencies, such as illness of a relative and childbirth.

In the morning, the Senate rejected by 67 votes to 33 – wider than the 57-43 Democratic majority – the alternative Republican proposal to institute tax credits to companies to cover the cost of family leave. The House was due to take up the measure later and Mr Richard Gephardt, the Democratic leader, predicted easy passage.

Senate Republicans also decided yesterday morning to force a vote on the controversial question of retaining the ban on homosexuals in the military, a move designed to pre-empt President Bill Clinton's order for a six-month review of the issue.

But they did not decide whether to add such a proposal to the family leave bill or simply to offer it as a stand-alone amendment. In any case, they conceded that they probably did not have the votes to pass such a measure. Senator Sam Nunn, the Georgia Democrat and an opponent of gays in the military, said flatly he would not support the Republican move.

Passage of the bill would provide President Clinton with his first legislative victory, though it would hardly classify as a momentous one and would serve as no guide to the far tougher battles to come on economic and social policy.

The White House also confirmed yesterday that Mr Clinton was considering lifting the ban on the government hiring the air traffic controllers who went on strike in 1981. President Ronald Reagan's breaking of that strike was an early landmark of his first term.

The president's press secretary also confirmed what had been the case since Monday that the regular daily briefings would no longer be televised live, though exceptions would be made on special occasions. The practice was unpopular with many White House correspondents and did not always show either the media or the chief spokesman, Mr George Stephanopoulos, in the most favourable light.

Finally, and also predictably, the Senate intelligence committee yesterday unanimously approved the nomination of Mr James Woolsey to be the next head of the CIA. A full Senate vote is expected today.

Roberta Achtenberg (above), an openly-lesbian politician, has been nominated by President Clinton as assistant secretary for fair housing and equal opportunity at the Department of Housing and Urban Development, Reuter reports. She has been an active advocate of housing for homeless or low-income people and championed many homosexual and civil rights issues.

# Leaders tackle US campaign spending spree

By George Graham in Washington

DEMOCRATIC congressional leaders met President Bill Clinton at the White House yesterday to discuss how to reform the financing of US political campaigns.

Spending limits for congressional campaigns, curbs on contributions from political action committees (PACs) representing lobbyists, and greater disclosure requirements for lobbyists were all expected to be on the agenda.

The issue stirs fierce popular emotions among US voters convinced that most of their elected representatives are in the pockets of lobbying groups that contribute to their campaigns, but a solution will not be easy to achieve.

Leaders in the House of Representatives have revived a reform bill, vetoed last year by President George Bush, which would have imposed voluntary spending limits on candidates in exchange for partial government funding.

The bill would also have limited "soft money" donations through political parties, but done little to curb the influence of PACs, which many reformers see as the root of the problem.

Most Republicans object in principal both to spending limits and to public financing of campaigns, but Democrats, too, fear that the proposed measures could cost them seats in the 1994 congressional elections by limiting the advantage in fund-raising enjoyed by incumbents.

A main obstacle to campaign finance reform is a Supreme Court ruling that mandatory limits on spending infringe the constitutional right to free speech.

That means that any attempt to limit spending – House and Senate races last year are estimated to have cost a total of $504m (£333.7m) – must be voluntary. The carrot of public finance, which already exists for presidential campaigns, is therefore virtually inescapable.

US voters, however much they want candidates to stop taking money from lobbyists, appear reluctant for the government to pick up the bill.

This leaves the way open for the very wealthy, such as Mr Ross Perot, the independent who financed most of his presidential campaign last year out of his own deep pocket, or Mr Michael Huffington, a Californian Republican who broke the congressional record by spending $5.4m, mostly his own money, to win a House seat last year.

# Harder line in Mexican change

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas of Mexico has removed one of his new appointees in a move seen as consolidating a harder government line towards negotiations with opposition parties.

Ms Beatriz Paredes, former number two in the ruling Institutional Revolutionary party (PRI), has been ousted as under-secretary at the interior ministry and made ambassador to Cuba.

The government described the change, just 17 days after installing a new team at interior, as a progressive step. An official said the president was responding to criticism that there "was excessive PRI presence in the interior ministry".

However, analysts saw the abrupt shift as further evidence of a hardening of the ministry's line against negotiation with opposition parties. "Beatriz Paredes was viewed as a progressive force in the ministry. Her removal shows there is unlikely to be conciliation this year or next," said Ms Denise Dresser, a professor at Mexico's technological institute (ITAM).

The ministry's other under-secretary, Mr César Augusto Santiago, former PRI electoral chief, will be kept on but, it is claimed, without responsibility for electoral matters. Most of the criticisms of the recent appointments at interior ministry were directed at him, rather than at the respected Ms Paredes.

The government's claim to be concerned about maintaining the appearance of impartiality in government officials was not helped by the appointment of Mr Emilio Chuayffet as the PRI candidate to be governor of the state of Mexico.

# Senate report attacks drug company pricing

By Paul Abrahams in London and George Graham in Washington

A SENATE committee claimed yesterday the drug industry had broken its promise to restrain price increases voluntarily. The Senate ageing committee cited a report suggesting that eight of the top 31 drug groups had increased prices at more than three times the inflation rate last year.

The study, whose methodology was challenged by the US Pharmaceutical Manufacturers Association, also claimed 19 groups had increased prices at double the rate of inflation.

Senator David Pryor of Arkansas, a Democrat and the committee's chairman, said the report showed drug price inflation had been consistently higher than the general rate of inflation.

He claimed it showed drug companies had failed to fulfil promises that they would limit price increases. Voluntary price restraints were clearly not working, he added.

The eight companies mentioned were Merck, Pfizer, Marion Merrell Dow, Du Pont Merck and Sterling-Winthrop of the US, as well as the American arms of Glaxo and ICI of the UK and Hoffman-La Roche of Switzerland.

Mr Pryor said a drug costing $1 in the US would cost 67 cents in Canada and 60 cents in Europe.

The report claimed Glaxo's US arm had increased prices by 4.4 per cent during 1992. This was contested by the company which said its overall increase for the year to June 30 had been 1.8 per cent, well below the 3 per cent general inflation rate.

Glaxo said the study had failed to consider the issues of volume and discounts. It was important to look at the units sold of each drug as well as list prices.

Du Pont Merck claimed its increases had been less than 2.9 per cent on a weighted average basis. Merck said it had increased prices by 3.1 per cent and by 2.9 per cent if rebates and discounts were included. That compared with the report's alleged increase of 5.5 per cent.

Pfizer claimed its increases last year were less than 2 per cent, while ICI said its drugs price inflation had been 3.6 per cent on a volume-weighted basis and 2.1 per cent after deducting rebates.

Price gouging by pharmaceutical companies has been a favourite theme of Mr Pryor's since he took over as chairman of the Senate special committee on ageing in 1988.

President Bill Clinton's campaign manifesto promises to eliminate tax breaks for pharmaceutical companies that raise prices more quickly than personal incomes, and to discourage them from spending more on marketing than on research and development.

It is unclear, however, how these pledges will be integrated in the overall reform of the US health-care system.

# Independents win seats but no power

## Fujimori consolidates grip on Peru's institutions, writes Sally Bowen

THREE years ago television presenter Ricardo Belmont was elected mayor of Lima, heralding a period of turmoil for Peru's traditional political parties and marking the emergence of the independent candidate.

Last Friday's national municipal elections not only saw Mr Belmont comfortably re-elected but confirmed the political trend he initiated in 1989.

Independents swept into office across the country. In Lima, home to a third of the nation's voters, established parties picked up only half-a-dozen of 40 council seats. Former president Fernando Belaúnde's Popular Action party and ex-president Alan Garcia's Apra party were reduced to a handful of regional strongholds.

Both had boycotted November Congressional elections in protest against President Alberto Fujimori's seizure of power last April. Also, the Marxist left suffered a crushing national defeat.

The elections were good news for Peru in two respects. First, the level of political violence was comparitively reduced. Shining Path (Sendero Luminoso) guerrillas, their organisation weakened since last September's capture of their leader Abimael Guzmán, threatened voters and killed 20 candidates in the run-up to polling.

But, compared to 1989, when elections were postponed in a quarter of the country because of guerrilla violence, Friday's voting was largely peaceful.

Second, these municipal elections fulfil the pledge made by Mr Fujimori to the Organisation of American States last May of a full return to democracy. OAS observers appear satisfied with the process.

In theory, the way should now be clear for friendly countries to re-establish flows of economic assistance frozen in the wake of Mr Fujimori's institutional coup.

But Mr Jorge Camet, the new economy minister, cancelled his trip to Washington this week for talks with Peru's new support group. Peru needs $410m to cover a 1993 balance of payments deficit.

Without it, the letter of intent presented to the International Monetary Fund and arrangements with the World Bank for clearing immediate arrears would collapse, as would prospects for $1.4bn in fresh credits over the next three years through the IMF extended fund facility.

So far, the only firm commitments are from support group co-leaders Japan and the US, which together will put up half the total. Government officials hope Canada and assorted European countries will provide the remainder.

Last week's elections, however, have not dispelled international community scepticism, even though Mr Fujimori has earned praise for his speedy transformation of one of the continent's most protectionist and statist economies into one of its least regulated.

However, that economic liberalism has been accompanied by political authoritarianism. Several countries, including Germany, expected to be a key member of the support group, remain unconvinced about adequate progress on issues such as human rights.

The US State Department recently protested over threats to press freedom and its January report on continuing human rights violations caused renewed concern.

Mr Fujimori's abrasive campaign against virtually every Peruvian institution has led to mass sackings of judges, the dismissal of tens of thousands of state employees, and the premature removal of senior army officers who might not see eye to eye with him. Three weeks ago, the presidential axe fell upon Peru's widely-respected diplomats, causing widespread rancour.

On Tuesday, two lawyers who have acted for Shining Path leaders were convicted of treason and sentenced to life imprisonment for serving as links between their clients and the guerrilla group. Both men belonged to the Democratic Lawyers' Association.

Justifying his actions, Mr Fujimori claims Peru's institutions are corrupt and inefficient. In broad terms, he is probably right and his attacks help maintain his approval ratings at an impressive 60 per cent. But, so far, he shows no sign of building on the rubble of the institutions destroyed.

Rather, he increasingly depends on the armed forces (now largely purged of dissidents) and the National Intelligence Service which he frequently praises in public. Observers comment that the new constituent Congress is proving to be a simple extension of, rather than a check on, the executive.

Also, Mr Fujimori has encouraged the proliferation of the political independents who triumphed last Friday. "It's the old divide and rule strategy," commented one senior foreign diplomat in Lima.

All winners, whether former left-wingers abandoning the stigma of a party label, opportunists or decent neighbourhood workers, scrupulously eschewed ideology.

No-one in today's Peru, even the traditional parties, denies the need for political renovation. But analysts query whether hundreds of independent candidates and ballot papers whose complexity means more invalid than valid votes constitute the "authentic democracy" Mr Fujimori had promised.

President Alberto Fujimori increasingly depends on the armed forces and the intelligence service

**NEWS: THE DAF CRISIS**

● Optimism in the Netherlands and Belgium ● US, Japanese and European truck makers may be buyers ● UK fears job losses

# Challenge for potential international buyers

By Kevin Done, Motor Industry Correspondent

THE world's truck makers are accustomed to lurching from feast to famine, but as the industry heads into one of its leanest periods on record, any potential buyer for Daf – or parts of it – will have to ponder hard, before taking the plunge.

There are attractions, however. It has a highly regarded pan-European distribution network with about 1,300 sales and service outlets. Access to such a distribution system would be highly valued by any truck producer seeking to enter the European market from outside the region.

Daf has a share of close to 8 per cent of the west European truck market, which puts it in sixth place, but it is in the UK where it has established a commanding presence since its takeover of Leyland Vehicles in 1987.

Truck makers such as Renault Véhicules Industriels of France and MAN of Germany have struggled to establish themselves in the UK market, and their shares of less than 5 per cent each are easily overshadowed by the 25 per cent of the market captured by Daf last year.

As recently as 1989 the UK was the biggest truck market in Europe and acquisition of the Daf share could prove strategically attractive as the UK market gradually pulls out of its deepest recession since the Second World War.

At the same time, Daf has a relatively modern truck range with some substantial investments in new products completed in the past two years. In 1992 it began the launch of a new range of medium-heavy duty trucks, the 75/85 series, which were the result of a big investment programme worth more than £170m and followed four years of design and development work.

Ironically, given its present demise, Daf was much in the running for the latest European Truck of the Year award for the 75/85 series, but was narrowly pipped at the post in December by Iveco.

In the autumn, as Daf began a desperate search for a "strategic alliance", it began negotiations with Mercedes-Benz, the automotive subsidiary of Daimler-Benz of Germany and the world's biggest truck maker. Mercedes-Benz soon insisted that it was not willing to take an equity stake in Daf, but it has admitted that detailed negotiations have been under way about a possible two-way exchange of components or products.

Daf's operations in the UK represent a mixed challenge for any potential buyer. The plant at Leyland, Lancashire, is relatively modern, produces a competitive range of light duty trucks and has a large potential capacity. It could offer an attractive, low-cost production base in Europe, in particular for producers with a high cost base in Germany.

By contrast, the van operations in Birmingham appear much more at risk. The plant, formerly British Leyland's Freight Rover van operation, is old and the product range is also rather out-dated despite efforts to revamp it and success in improving quality.

The future of the van plant is most clearly in question. Daf had entered a joint venture with Renault of France three years ago to develop a new van range for the mid-1990s. About 50 Renault engineers are working in Birmingham and the two companies have a joint venture company, Van Technology, formed to develop the new product. Renault said yesterday it was studying the "repercussions" on the van project of Daf's move to file for protection from its creditors. Privately, Renault has been well aware of Daf's growing financial crisis and has been seeking to prepare contingency plans.

Its options are to abandon the project, seek another partner, or go it alone. Of these paths, Renault appears to prefer finding another partner, but in any eventuality it appears unlikely that the new van will ever be built in Birmingham – placing a grave question over its future and the livelihoods of the 2,000 Daf workers in Birmingham.

To find a rescuer for the truck operations Daf is most likely to look outside Europe.

Paccar, the US producer, showed a strong interest in a possible deal with Leyland Vehicles when British Leyland was seeking to shed the truck and van operations in 1986/87, before the merger was finally agreed with Daf.

DAF's well-developed pan-European distribution network and its expertise in particular in heavy trucks could also provide the entry ticket to Europe for one of the leading Japanese producers, Hino (Toyota), Nissan Diesel, Mitsubishi or Isuzu.

The Japanese producers also have profitability problems of their own at present, however, and the timing of Daf's demise is far from ideal.

# Payments agreed by leading bankers

By Robert Peston

BRITISH BANKERS yesterday travelled in groups to an emergency meeting of Daf's bank creditors held in Amsterdam.

"It's a question of safety in numbers", said one banker. "We don't want to be mugged outside the meeting by angry employees".

By the middle of yesterday afternoon, they had agreed to provide Daf with Fl 60m, which they hope will be sufficient to pay wages and meet the company's other trading expenses for a month.

During that time the receivers of Daf's European businesses will review the long-term prospects of the company's operations.

Total indebtedness of the company is in excess of Fl 3bn. However, there is a vast difference in quality between different elements in the debt.

The loans most at risk are the Fl 900m which banks have lent to the manufacturing operations. Of this, approximately Fl 800m has been provided by a consortium of nine banks, led by the Dutch bank, ABN Amro and also including Rabobank of the Netherlands, Generale de Banque of Belgium, Credit Lyonnais of France and three UK banks, Barclays, Lloyds and National Westminster.

The syndicated loan, in its current form, was signed in June of last year, and is to a certain extent covered by collateral held on the bank's behalf by a Dutch trust or stichting.

The scale of losses faced by these banks can be gauged by examining the sacrifices which Daf had been asking them to make, as part of its vain attempt to earlier this week to save itself from receivership.

Under the rescue plan, which Daf formulated together with the management consultant firm, AD Little, and the accountants, Coopers & Lybrand Deloitte, the banking syndicate was being asked to provide Fl 50m in a short term bridging loan, at least a further Fl 100m in further loans over the coming two or three years and was also being asked to convert Fl 100m of debt in equity.

Other creditors in the firing line are the investment banking arms of the Dutch government and the Flemish regional government, which last December provided loans to of Fl 67m and BFr2.2bn respectively.

Under the rescue plan, holders of preference shares and of Fl 150m in bonds would also have been asked to convert part of what they are owed into ordinary shares.

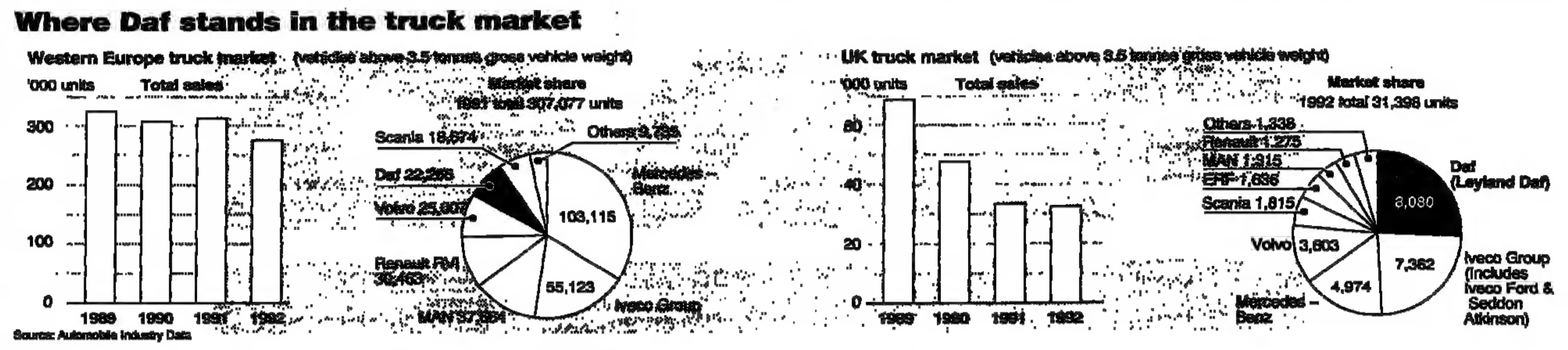
However, the bulk of Daf's debt, more than Fl 2bn, is believed to be less at risk. These are loans made to Daf's finance subsidiaries, which lease Daf's vehicles to customers.

Daf's ability to pay these loans does not depend directly on the health of its manufacturing operations. So long as finance company customers, who are users of Daf vehicles, continue to make lease and instalment credit payments, then Daf's finance companies should be able to make bank payments.

Part of the finance company bank debts, some £180m, was securitised and sold in the form of bonds to institutional investors by UBS Phillips & Drew, the securities firm, last December.

Standard & Poor's, the US credit rating agency, said yesterday that it was monitoring the situation but saw no reason to consider lowering the top triple-A rating accorded the bonds.

**Where Daf stands in the truck market**




# Fresh blow for member of Major's inner circle

By Philip Stephens, Political Editor

IT TOOK Mr Michael Heseltine's predecessor at the department of trade and industry a matter of weeks to learn the perils of the job.

After a number of near-misses Mr Peter Lilley instructed his private office to create a file marked simply "Impending Disasters". He hoped it would provide early-warning of the next, inevitable, catastrophe to hit one of the most accident-prone departments in Whitehall.

Mr Michael Heseltine has not told us whether he kept the file open when he moved across to the DTI last year.

But either way it would not have saved him from the political fall-out from the threatened collapse of Leyland-Daf. In the political parlance of Westminster, the fiasco over the government's coal closure programme was a blunder, the financial problems of the truck maker an accident.

The difference has done little to soften the damaging impact on Mr Michael Heseltine's reputation. Six months ago he was one of the strongest figures in Mr Major's cabinet, a member of the inner circle trusted to pull the hottest coals from the political fire.

It is not only the Labour party that has been reminding Mr Heseltine of his promise at last October's party conference to intervene "before breakfast, lunch and dinner" to support British industry. Right-wing Tories who bear a grudge over his destruction of Mrs Margaret Thatcher's premiership are gleeful about his inability to match the words with deeds.

In fact Mr Heseltine's brand of industrial interventionism was never directed at bailing out companies like Leyland-Daf. But his enemies are happy to blur the distinction between policy designed to promote industrial innovations and one directed at propping up lame-ducks.

For his part the president of the board of trade has begun to look battle-weary, leaving his colleagues wondering whether he is any longer interested in the day-to-day grind of politics.

It is much too early though to write off a man who has proved one of the most resilient politicians of his generation. Leyland-Daf has delivered another blow. But Mr Heseltine learnt long ago to roll with the punches of politics.

# London's position over subsidy remains complex

By Tony Jackson

SINCE THE collapse of Daf was announced on Tuesday, the UK government has been adamant that the company cannot be helped from public funds. The true position may be slightly more complex.

The official position is that government aid of any sort would be disallowed by Brussels, particularly in an industry with such a history of competitive subsidy as motors. According to the Department of Industry, the only allowable source of funds is regional grants – technically, regional selective assistance, or RSA.

RSA grants are for individual investment projects, with strict criteria. The plant must be located in an assisted area; it must be commercially viable; it must need assistance to go ahead with the project; the project must contribute to the regional and national economy; and it must either create jobs or safeguard them.

Daf's Leyland plant qualifies on most criteria. However, as Mr Michael Heseltine, trade and industry secretary, told the House of Commons on Tuesday, DAF applied for £450m of such assistance just before the general election last April. It was told it could only have £18m, and did not pursue the idea.

Mr Heseltine also told MPs: "Were there to be a request for short-term working capital...such a request could be put to my department by a myriad of different companies in the motor industries and many others."

The European truck industry has received assistance from individual countries in the past, however. The most striking instance is Leyland Trucks itself. When it was sold to Daf in 1987, the government wrote off almost £800m of debts and accumulated losses. The figure was to have been higher, but the EC intervened.

Similarly, last October Daf received a state-backed loan of Fl67m (£25m) from the Dutch government and another of BFr2.2bn (£.044bn) from the Flemish regional government. No commercial banks were involved and the governments had the option to convert the loans into shares.

Assuming the loans were on a commercial basis, it could be argued that no subsidy was involved. However, of the three governments involved with Daf, the UK was the only one not to contribute.

A worker leaves Daf's Eindhoven plant yesterday where a mood of cautious optimism prevailed thanks to a possible rescue plan

# Andersen firm is UK receiver

By Andrew Jack

THE accountants appointed as "administrative receivers" to Daf's principal UK subsidiaries have three months under UK insolvency law to hold a creditors' meeting.

Mr John Talbot and Mr Murdoch McKillop, two partners in Arthur Andersen, the UK's sixth largest accountancy firm, were appointed personally on Wednesday afternoon.

They may well be able to hold a number of the trading companies together and sell them as operating businesses either before or after that time.

But unusually, their appointment was made not by an individual bank, or banks, but by a Dutch trust or stichting, a body vehicle which held the security on the loans used by the syndicate of international banks making loans to Daf.

The receivership is not affected by the jurisdiction of the courts in the Netherlands, where the Daf holding company is based, or by those in Belgium. The management is applying for protection from creditors in both countries.

In practice, the receivers are likely to work closely with their counterparts in these countries to consider a sale which might involve businesses operating in more than one of them.

According to Mr Keith Otter, a principal with accountants Coopers & Lybrand, the Dutch procedure – surséance van betaling – or suspension of payments, gives the two court-appointed "bewindervoerder" officials between one and three months to call a meeting of creditors with restructuring proposals. In Belgium, the court has eight days to decide whether to grant a "concordat judiciaire", which would lead to the appointment of a juje-commissaire to oversee the preparation of proposals for a creditors meeting.

The appointment of the British receivers prevents any creditors being able to launch separate legal proceedings to seize the company's assets and recover outstanding debts. They have assigned a number of other accountants and insolvency specialists from the firm to take control of the management of three UK operating companies on six UK sites.

# British unions fear for plants

By Robert Taylor, Labour Correspondent

BRITAIN'S union leaders fear that Leyland-Daf's plants in the UK will be sacrificed to save its production facilities on the continent. Last night they accused the British government of collusion in the collapse of Leyland-Daf.

Mr Tony Woodley, national auto industry secretary of the Transport and General Workers, said he had "reliable information" that a new company was being established with financial backing from the Dutch and Belgian governments to save Daf's plants on the continent and leave the British operations "to swing in the wind".

He said that Belgian and Dutch employees of Leyland-Daf were being told their jobs will either be safeguarded or they will receive attractive redundancy packages, thanks to the intervention of their governments. The company denied the accusation last night but Mr Woodley said he was standing by his claim.

"The government must now surely change its indifferent attitude to the fate of the Leyland-Daf operations in Britain", added Mr Woodley. "It must invest the resources necessary to give our workers the same chance as those in Belgium and Holland to prove they can produce world-beating trucks and vans."

Britain's union leaders are demanding an early meeting with the receivers – Arthur Andersen – at Leyland-Daf to discuss ways of saving all its UK plants from permanent closure.

Mr Derek Bullen, works convenor at Daf's Leyland plant said that after meeting a representative of the receiver he "had the feeling" that a viable plan would be brought forward to keep the plant open.

"My first impressions are that he does not appear to want to come in and shut things down," he said.

Union officials are pressing Mr Michael Heseltine, trade and industry minister, to intervene. "Heseltine invented the word intervention but he does not seem to know how to do it. He has to intervene to help or we will see thousands of lay-offs," said Mr John Allen, national official of the Amalgamated Engineering and Electrical Union.

Mr Heseltine said yesterday the government was "ready to work closely" with the company, the receivers, the banks and other interested parties "to mitigate as far as possible the impact on UK jobs". But he ruled out any loans or subsidy to keep the Daf plants open.

National officials of all four unions at Leyland-Daf are due to meet this morning to co-ordinate their response to the crisis at Daf. Some believe the Leyland truck plant – one of the most modern in Europe – will be saved but the rest of the UK operations will be shut down.

They point to the serious knock-on effect of the liquidation of Daf's plants. The Transport and General Workers union estimates that at least 15,000 jobs could be lost – with 10,000 in supply firms – if all Leyland-Daf plants close, saying this would cost £87m in redundancy payoffs.

Daf workers at its Leyland plant are planning a lobby of parliament, petitions and marches to save their jobs. "We have got to keep the pressure up. We have fought many battles before to save factories from closure. What we need now is a real awareness in the community here that we are on the brink of going under," said Mr Ian Hayes, chairman of the white-collar unions at the plant.

# Headlines and hope in Eindhoven

By **David Brown** in Amsterdam and **Andrew Hill** in Brussels

THE DAF debacle dominated the headlines of Holland's daily newspapers yesterday with both the banks and the government assigning blame to each other for the failed restructuring.

The Dutch Economic Affairs Minister, Mr Koos Andriessen, reserved his bitterest criticism for the minority British banks for withdrawing their support.

Behind the scenes, however, strenuous efforts were under way to salvage the situation and a mood of cautious optimism prevailed in Eindhoven, a city badly hit in recent years by lay-offs and restructuring, about the possibility of resurrecting Daf's core truck-making operations.

Dutch government officials met with union leaders yesterday and provided guarantees that the Daf payroll will still be met. It would act as a short-term financier in the unexpected event that the bank consortium, led by ABN Amro, failed to provide bridging finance.

An ABN Amro spokesman said last night the consortium had been approached by Daf's court-appointed administrators about the possibility of providing such finance.

"Everyone is interested in finding a solution," said the ABN Amro spokesman. "We will do everything necessary to help find a solution."

It was unclear late yesterday whether such payroll support-guarantees would apply to jobs in the UK. Meanwhile, Government and union officials were in contact with the liquidators and it is understood an attempt is being made to create a new company which will include Daf's present medium and heavy truck production units, based primarily in the Benelux.

Mr Andriessen said he believed that Daf could survive in a concentrated form but warned of painful job cuts.

It is thought that roughly half the group's 12,600-strong workforce may be affected by the closure of Daf's van and defence equipment units, as well as the bulk of the UK production operations.

However, the administrators, Mr Louis Detering, of Eindhoven, and Mr Friso Meeter, of Rotterdam, were unavailable for comment. In Eindhoven, workers arrived yesterday morning to their jobs as usual but production was quickly slowed by a shortage of supplies.

"No suppliers are willing to deliver without a direct payment," said Mr Crit Pingen, an FNV union spokesman. "You need to bring bags of money to the factory gate, then you can have what you want. At this moment, there's nothing coming in or going out of Daf."

Meanwhile DAF'S 1,400 workers at the company's plant in Westerlo, Flanders, Belgium, were pinning their hopes on possible plans to save the group's heavy and medium truck operations.

The Westerlo plant - which employs 1,200 shop-floor workers and 200 white-collar workers - manufactures axles and cabs for the heavier Daf vehicles. A further 100 staff are employed by the commercial office at Aartselaere in Flanders, the northern Flemish-speaking part of Belgium.

A spokesman for the Flanders government said the Flemish authorities had originally backed a medium- to long-term plan to rescue Daf, but the banks had withdrawn their short-term support for the company, triggering the call for court protection.

A decision to rescue the business would provide some safeguards for Daf's employees but even before Tuesday's announcement that the group had filed for court protection from creditors, Westerlo was laying off staff temporarily, because of the general slowdown in business.

Mr Achiel De Backer, Daf's personnel manager at Westerlo, said that production had not been stopped, but he added: "It may be that we have to take that decision in the following days, because we could be short of components."

Some 200 Westerlo employees demonstrated at the Antwerp office of ABN Amro, the Dutch bank which leads Daf's banking consortium, in the hope of persuading the consortium to grant the emergency short-term funding needed to shore up the ailing vehicle-maker.

A number of workers said they would continue a sit-in at the Antwerp office until the bank's Amsterdam headquarters replied to their demands.

Mr De Backer said yesterday that his staff were not angry with the Daf management but were arguing "about the decisions taken above our heads".

He added: "It's the financial people who are deciding about our future at the moment."

# GMB in pact with German trade union

By David Goodhart, Labour Editor

A FURTHER step towards Anglo-German labour co-operation was signalled yesterday when the GMB general union signed a partnership agreement with I G Chemie, the German chemical industry and paper union.

The agreement, signed in the shadow of the Anglo-French row about the transfer of jobs by Hoover from France to Scotland, follows similar co-operation agreements between the engineering and printing unions in the two countries. It covers exchanges of information and personnel, joint seminars and language courses to be funded by the EC.

Mr John Edmonds, the GMB leader, denied that closer co-operation between unions obviated the need for formal European works councils in which EC multinational companies would be obliged to regularly consult with worker representatives from all EC plants.

He said that inter-union co-operation allowed for "crisis management" but suggested that the Hoover dispute would have been easier to handle if the company had been forced to discuss its plans at an earlier date with a European works councils.

Union officials in Brussels say that the Hoover case is likely to mean that the eleven countries, minus Britain, which have signed up to the Maastricht social chapter will give a higher priority to passing a directive on European works councils. Hitherto, France, which has been the main inspiration behind the EC's social dimension has shown little interest in the councils.

Mr Hermann Rappe, leader of I G Chemie, said that European unions realised that it was not sensible to harmonise wages or non-wage labour costs across Europe but working conditions, like working time or holidays, could be covered by EC-wide agreements.

Mr Edmonds said that he hoped the agreement with I G Chemie would lead to joint collective bargaining with companies like ICI which employ a large number of people in Britain and Germany.

The Hoover episode was "exactly the sort of problem that has bedevilled European unions. Because there was no adequate information going to the unions the company was confident that it could keep the workforce divided and make its decision without consultation".

# Helicopter contract announced

By David White, Defence Correspondent

THE Ministry of Defence opened a contest to supply the army with about 100 attack helicopters expected to be worth around £1.5bn – announcing that companies were being invited to tender for the contract.

Three UK companies – Westland, British Aerospace and GEC-Marconi – are pitted against each other in the competition, all promoting foreign helicopters for the army role.

Westland is linked with McDonnell Douglas of the US in an attempt to place the latter's successful Apache helicopter, strongly favoured by the army but regarded as possibly an expensive option.

Its rivals are the Cobra Venom, a tailor-made version of the AH-1 Super Cobra, in which GEC is associated with the US manufacturer Bell Helicopter, and the Tiger, a new helicopter being developed by the Franco-German Eurocopter consortium. Eurocopter has joined forces with BAe to contend for the UK contract.

An outside challenge comes from the Kamov Ka-50 Werewolf, a single-seat seat Russian helicopter being promoted by a Geneva-based concern, Group Vector.

● Mr Malcolm Rifkind, defence secretary, announced the cancellation of two regimental mergers and the reprieve of 3,000 uniformed jobs.

# Long search for a place in the world

## MPs are uncertain about Britain's future role in international politics, writes Philip Stephens

Ask any group of Conservative MPs about Britain's place in the world and the competing cross-currents of opinion surface within minutes.

First comes a surprisingly pragmatic realism appropriate to a middle-ranking European power in the 1990s. Applied most obviously to Bosnia but also to Saddam Hussein's Iraq, it states with certainty that Britain must no longer aspire to the role of world policeman.

Its stretched armed forces have a part to play in humanitarian aid efforts in the former Yugoslavia and elsewhere. But British soldiers are too scarce and too precious to be cast in the dangerous role of peace-makers.

So successive debates in the House of Commons have left the government in no doubt that its supporters would not tolerate the risk of significant casualties in a Balkans conflict seen as tangential to British interests. Unquestioning support on the backbenches for military action against Iraq has given way to questions over whether it serves a strategic purpose.

But then comes the second, more familiar, strand of opinion. It is rooted in Tory nostalgia for empire. Britain is placed still centre-stage, interpreting its national interest in the context of a much wider international order.

It is a current that abhors the temerity of those – most recently Mr Warren Christopher – who raise questions about whether Britain deserves still its seat at the top table in institutions such as the UN. It is one that has persuaded many Tory MPs that the cuts in the armed forces mapped out by the government for a post-Cold War world went too far.

The peace dividend promised by Options for Change, the government's review of the armed forces, no longer looks quite so attractive when the government is obliged to admit that it could not have found a few hundred troops to send to Somalia. Britain must retain at least the option of reinforcing diplomacy with military might.

The Tories are not alone with their uncertainties. The Labour party has yet to fashion a coherent foreign policy from the ashes of last year's election defeat. The Europeanism which Mr Neil Kinnock put at the centre of Labour's strategy has been undermined by its subsequent record on the Maastricht treaty. The election of President Bill Clinton has led some to flirt again with Atlanticism. What is left is confusion.

But it is always harder for the Conservatives to come to terms with Britain's waning influence.

Mr Douglas Hurd, foreign secretary, sought to negotiate the currents in a speech last week at Chatham House.

He suggested Britain should retain a prominent role in the interlocking network of international organisations – from a reinvigorated UN to the European Community and the Commonwealth – confronting international disorder.

He foreshadowed yesterday's reprieve of two army regiments by arguing that Britain should spend more on its diplomatic service and be ready to shave less from its defence budget.

But it must recognise also its diminishing economic power by saying No more often than Yes to new entanglements.

The speech won plaudits as a typically eloquent contribution. But it was more convincing in its diagnosis than its prescription. It provided also only a fleeting glimpse of the most uncertain dimension of British foreign policy.

Mr John Major's meeting with President Clinton later this month will generate endless analysis of whether the "special relationship" has survived the Tories backing for Mr George Bush.

In reality the prime minister's concern about the new administration is much more profound. What he wants to discover above all is the extent to which President Clinton will hasten US disengagement from Europe.

For more than a decade the Conservatives have seen the US presence in Europe as a vital wedge between the Franco-German alliance. It has applied the brake on the ambitions of those in Paris and Bonn seeking distinctly European defence and foreign policies.

If President Clinton decides to accelerate the run-down in US forces in Europe – and by implication the priority Washington attaches to Nato – that wedge will be removed.

With it will go one of the principal props which have allowed Britain to punch above its weight in the world.

The cross-currents then would not simply be between those remaining hopes that Britain might cling on for a while longer to the illusions of empire or whether it must accept with dignity a modest role on the world stage.

The Conservatives would face also the choice they most fear: between Europeanism and Atlanticism.

# Spring seeks Unionist meeting

By Ralph Atkins

MR DICK Spring, Ireland's foreign minister, yesterday said he wanted to meet Northern Ireland's Unionist leaders about their demands for constitutional change in the republic. But he failed to dispel the belief that formal talks on the province will not re-start for sometime.

Speaking after an Anglo-Irish conference in London, Mr Spring appeared to offer an olive branch to Unionists who insist as a pre-condition for talks that Ireland would, if necessary, amend its territorial claim on Northern Ireland.

"I believe that constitutional change will be necessary," Mr Spring said.

He stopped short of promising that changes would be put to an Irish referendum if agreement could be reached on political arrangements in the north. "At this stage I don't think we want to get bogged down over 'could be' or 'would be'." He said it was important for dialogue to open but his invitations are unlikely to be accepted by Unionist leaders.

Mr Spring also emphasised setting out a lengthy programme of work for the regular Anglo-Irish conferences, held under the 1985 Anglo-Irish Agreement and opposed by Unionists because of the role they give Dublin in the affairs of the north.

That probably reflected an expectation in London and Dublin that talks will not resume until after May's local elections in the province, which have already begun to provoke inter-party rivalries.

# Britain in brief

## Alcohol abuse costs industry £2bn a year

Employees who refuse to accept counselling for drink problems are increasingly likely to face the sack, the charity Alcohol Concern said as it released results of a survey on alcohol in the workplace.

Alcohol abuse costs UK industry at least £2bn a year, according to the Centre for Health Economics at the University of York. This figure takes into account the cost of sickness absence, unemployment and premature death, but excludes other social and National Health Service costs.

More than 40 per cent of the organisations questioned by Alcohol Concern said there was a ban on drinking during company time, while nearly 35 per cent said there was a prohibition on alcohol on their premises. At nearly half of the companies with bans, restrictions also applied to senior management, the survey reported.

## Lamont warned on higher taxes

The Confederation of British Industry warned Mr Norman Lamont, chancellor of the exchequer, against putting recovery at risk by raising taxes in his March 16 budget.

"Rises in personal taxation rates would set back consumer confidence at the very time when it is at its most fragile," Sir Michael Angus, CBI president, told a meeting of the CBI London region.

Increased corporate taxes "would jeopardise the capital investment which is so vital if the UK is to see a sustained period of growth during the nineties", he added.

## Interest rates 'fuelling M0'

Britain's narrow measure of money supply, M0, grew by a seasonally-adjusted 4.1 per cent in the year to January, narrowly exceeding the target range set by the Treasury, for the first time since July 1990.

But the government did not draw any special conclusions from the increase for the conduct of monetary policy because it was not matched by any similar growth in retail sales and because of divergent trends among other monetary indicators, including M4, its broad money measure, and bank and building society lending.

The Treasury said low interest rates could be encouraging higher cash holdings and so fueling the growth of M0.

## Dan Air pilots submit claim

Former Dan Air pilots, dismissed at the time of the British Airways take-over of DanAir, are to submit their claim of unfair dismissal to an industrial tribunal today as a preliminary to possible High Court action for breach of contract.

Some 175 of the 308 pilots dismissed last November have formed an action group to fight their claim.

## Charities fear lottery squeeze

Some of Britain's leading charities, on the eve of the House of Commons committee stage of the National Lottery Bill, warned that failure to amend the legislation could leave them "squeezed out of existence".

With MPs due to begin detailed discussions of the bill – which should enable a national lottery to start by the end of 1994 – an intense lobbying campaign is underway to force changes.

Charity operators claim that the lottery could reduce their own annual lottery income of about £235m a year by £100m.

## Jobs cuts 'vital for survival'

HarperCollins, the Glasgow-based publisher, issued redundancy notices to 256 book manufacturing staff out of a total workforce of 1,300.

The company, part of Mr Rupert Murdoch's media empire, said the job cuts were "vital" for long-term survival.

Ipswich-based Eastern Electricity said it would shed 200 jobs.

Two 24-hour customer service centres would be established at Bedford and Rayleigh in Essex, replacing 10 offices scattered around its area.

## Fewer failures

The number of companies entering administration and receivership last month fell to 374, part of a downward trend over the past 10 months, according to figures processed by Touche Ross from the London and Edinburgh Gazettes.

There were 385 in December.

# TECHNOLOGY

## You'll never be alone again

Satellite phones could transform communications once prices come down to earth, writes **Victoria Griffith**


On a desert island, a man stretches out his hand and picks up a telephone receiver. He dials his access code, and his voice is soon beaming up to a satellite, then back down to earth, allowing him to talk to anyone, anywhere in the world.

This is the sort of image that satellite telephone companies are trying to sell to international investors and regulators. Information brochures for these companies are strewn with exotic images of potential users – from desert nomads to dark-suited businessmen. So far, however, their best-known role has been in the desert sands of the Middle East during the Gulf War, when journalists on the move used them to get the news out.

Satellite telephones could revolutionise communications in much the same way that cellular phones did a few years ago. Since cellular telephones send their signals through earthbound transmitters, they are limited in their reach.

With satellite communications, however, phone calls could be placed and received anywhere on earth, from the North Pole to Tahiti, or from the top of Mount Everest to a boat in the middle of the Atlantic Ocean.

Before this dream becomes a reality, though, companies will have to overcome two hurdles. First, they will have to win a battle against exorbitant costs, and second, they will have to win over concerned regulators.

Six US companies have already committed themselves to the creation of satellite telephone systems: Constellation Communications; Ellipsat (a unit of Mobile Communications holding company); Loral Qualcomm satellite services, part of Loral; Iridium, a unit of Motorola; TRW Space and Electronics Group; and American Mobile Satellite (AMS), owned by McCaw, Hughes and MTEL.

In addition to telephone services, most of these companies plan to use the satellite communication system to provide data services, inter-computer communication and radio tracking. AMS already has a satellite system in operation. However, it only has a few hundred subscribers and covers US territory. The other companies, with more ambitious plans for world-wide service, hope to be in full operation by 1996-98.

The estimated costs of setting up shop, though, are high. Each group will spend a minimum of between $500m (£331m) and $4bn for the installation of their systems. "This is an extremely expensive and risky business," one satellite telephone executive explained. "A lot of these plans exist only on the drawing board, and when you're just in the development stage it's hard to have a full understanding of your cost structure."

The most expensive items are the satellites themselves. The telephone satellite companies have put forth proposals for a mind-boggling array of systems, or "constellations" as they are referred to in the industry jargon.

One of the few points of agreement seems to be that the low earth orbiting satellites (Leos), which orbit at a range of 450 to 6,000 nautical miles, are generally preferable to the higher orbit geo-stationary satellites (Geos), which orbit at a height of about 12,000 nautical miles. Only AMS uses a geo-stationary system, mainly because it applied for a licence while the technology for Leos was not fully developed.

"The development of lower orbit satellites is exciting and has made the proposals for telephone satellite systems more viable," said Bruce Franca, deputy chief engineer with the Federal Communications Commission, the main US governmental body regulating the new companies.

Leos do carry some disadvantages. They have a relatively short life span, often four to five years, compared with 10 to 12 years for Geos. They are also far less powerful, so many more of them are needed to do the job. While AMS operates with a single, rented geo-stationary satellite, Motorola, for instance, has applied for a 66-satellite constellation system. Although more Leos are required to do the job, they do offer economies of scale.

"As the satellites are churned out in an assembly line-like process, the cost goes down," said John Windolph, a Motorola spokesman. Because they are smaller and lighter, Leos are also cheaper to make and cheaper to launch. Analysts say Leos may also help to lessen the telephone voice delay which can occur if the transmission has to travel too far from earth.

Because the signals have to travel less distance, Leos also render land-based booster systems unnecessary, and allow users to carry lighter and cheaper portable equipment. But the telephone satellite groups have very different ideas about how far out they want to go, while still operating in the Leos range. TRW, for instance, plans to operate its satellites towards the outer limit of Leos orbits.

According to Edward Nowacki, vice president and general manager of the TRW Federal Systems Division, satellites orbiting closer to earth spend more time in the earth's shadow. Because the satellites are solar-powered, this shortens their life span. "Another problem is that they get cold without the sun's rays and this applies additional stress," says Nowacki.

Constellation, on the other hand, chose an extremely low-range orbit of 550 miles, which it says is a low-density height. "The higher the density, the more particles floating around and the more radiation shielding you have to put on the satellite," says Ron Lepkowski, consultant to the group. Ellipsat rejected the idea of a steady, circular orbit altogether.

"With a circular orbit, you tend to get significant amounts of communications capability where you can't use it, like at the North Pole," said John Naughton, vice-president in charge of engineering at the company. "With an elliptical orbit, we can pull the satellite in closer to the places which would have the heaviest traffic, and let the satellite spin out in other, low-demand spots."

One other important advantage of the Leos is that they require a smaller spectrum range. With governments around the world worried about overcrowded radio space, this may give the lower-orbiting constellations a strong hand with regulators.

To operate fully world-wide, the telephone satellite companies will have to obtain approval from local governments, as well as international regulatory bodies such as the International Telecommunications Union. To facilitate their application for spectrum space, most of the companies have accepted the idea of a multiple access system, which would allow all the companies to operate along the same spectrum band.

The companies would share the band by providing their users with different access codes. "With multiple access, all of us could operate on such a wide band that we would become almost invisible to each other," said Douglas Dwyre, president of Global Star, which is a division of Loral. "By sharing the same band, it throws the question of spectrum share back on the market, since whoever has the most business occupies most of spectrum."

Motorola, however, is pushing to be allocated its own individual band. "If we're all sharing the same spectrum, the chance for interference is too great," said Windolph. Many regulators, including the FCC, say they are anxious to co-operate with the telephone satellite groups, which could provide an important consumer service.

The companies themselves are busy negotiating joint ventures with telephone operators around the world in an effort to win local rights to satellite usage. Despite the problems, these groups are determined to have their constellations up and running in the next few years.

If they continue to attract the necessary investment funds, they will probably succeed. Industry estimates are for a possible 10m satellite telephone subscribers by the year 2005, and usage costs for satellite communications are anticipated as being just slightly above current cellular rates.

## Fast-talking computer shows its strength

**Jonathan Constant** reports on a powerful translation system

Language barriers are set to tumble with the advent of powerful technology which allows messages to be sent between personal computers anywhere in the world and instantly translated en route.

European scientists have harnessed the power of parallel processing, where up to 256 computers can work alongside each other, to achieve previously unheard-of speed and accuracy of translation.

The method is so quick that 200 pages of text in most languages can be translated in 20 minutes – a task which previously took eight hours on the best systems. Experts predict that better programming will make it even faster.

For brief messages sent electronically around the world, the operation is almost instantaneous. Even complex documents only take a few minutes to translate.

The work, being carried out by Bull of France, Siemens of Germany, and ICL of the UK, is part of an EC research programme known as Esprit. It is at the test stage, but products could be on the market by 1994-95.

By scanning print directly into the computer, the system will operate at half the cost of a human translator and 35 per cent quicker, believes Bill O'Riordan, ICL's manager of research and advanced technology.

Accuracy has been a problem in the past because of the complexity of the task – colloquialisms, cultural differences and context are just some of the elements that must be taken into account.

"The Archbishop is ready for dinner," for instance, gives no clues as to whether he is waiting for his evening meal or has been captured by hungry cannibals.

People are still needed to edit the results, but parallel processing has enabled far more sophisticated programming, says O'Riordan, taking computers well beyond clumsy word-for-word translation. "I tried to trick it with 'I think a thought'. The computer analysed this and came back with 'I think of an idea'."

O'Riordan believes the greatest demand will be for manuals and technical papers, especially from manufacturing industry which is expected to account for more than 35 per cent of computer translation in the next few years.

Professional translators have yet to discover the benefits of the new technology: "At the moment we don't use machine translation because it takes too long to correct the mistakes. It is still quicker if we do it ourselves," says Emma Wagner, head of the EC's English translation unit in Luxembourg.

Jane Mountford of the Institute of Translation and Interpreting in London still feels there is no substitute for the traditional approach.

"Computers will not replace human translators. They are a tool and if they take some of the hard graft out of our work they will be welcome," she says.

EC translators currently use a vast multilingual computer dictionary called Eurodicatum, and many sectors of industry also rely on technical language databases to aid translation of specialist papers. One of the largest is a medical dictionary with 230,000 terms in Japanese and 180,000 in English.

Bob Kowalski, a professor at Imperial College London, has succeeded in disentangling the jargon from a parliamentary paper the British Nationalities Act. The result is straightforward, logical language that is legally accurate, and comprehensible to both computers and the person in the street.

The next few years will see science fiction become fact. O'Riordan predicts that computers will soon cross the ultimate barrier by translating speech, with simultaneous interpreting at conferences achieved within just five years.



## LEGAL NOTICES

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
BLOOMSBURY SQUARE ESTATE (HOLDINGS) LIMITED

NOTICE IS HEREBY GIVEN that the creditors of the above-named company are required on or before the 5th day of March 1993 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to A R Stanway and G I Rankin of COOPERS & LYBRAND, St Andrew's House, 20 St Andrew Street, London EC4A 3AD, the joint liquidators of the said company, and if so required by notice in writing from the said liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
*Dated this 1st day of February 1993*
A R Stanway
Joint Liquidator

IN THE GRAND COURT OF THE CAYMAN ISLANDS
THE COMPANIES LAW (R) (Chapter 22)
KAINES (UK) LIMITED (IN LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before February 28, 1993 to send full particulars of their debts or claims to the Joint Official Liquidators of the said company. In default thereof, they will be excluded from the benefit of any distribution made before such debts are proved.
DATED this 27th day of January 1993
G. J. Cleaver
G. H. Hughes
Joint Official Liquidators
The address of the Joint Official Liquidators is:
Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
WOBURN WALK INVESTMENTS LIMITED

NOTICE IS HEREBY GIVEN that the creditors of the above-named company are required on or before the 5th day of March 1993 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to A R Stanway and N S Hill of COOPERS & LYBRAND, St Andrew's House, 20 St Andrew Street, London EC4A 3AD, the joint liquidators of the said company, and if so required by notice in writing from the said liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
*Dated this 1st day of February 1993*
A R Stanway
Joint Liquidator

SILVERTRONIC LIMITED

*Notice is hereby given that:* At an Extraordinary General Meeting of the above Company held at Unit 1, Leaside Industrial Estate, Enfield, Middx on 29th January 1993, a Special Resolution was passed authorising the payment of £67996 out of the capital of the Company in respect of the purchase by the Company of 67996 shares of £1 each from H W Spence. The amount of the permissible capital payment was £67996.
The statutory declaration and auditors' report dated 28th January 1993 are available for inspection at Unit 1, Leaside Industrial Estate, Enfield, Middx, the registered office of the Company.
Any creditor of the Company may apply to the High Court pursuant to Section 176 of the Companies Act 1985 within five weeks immediately following the date of the aforementioned Special Resolution for an Order prohibiting the payment.
DATED 29th January 1993
J Devereux, Director

## COMPANY NOTICE

PROVINCE OF BRITISH COLUMBIA
US $100,000,000
Floating Rate Notes, Series BCEUS-2, due 2003
In accordance with the terms and conditions of the Notes, the interest rate for the period 5th February, 1993 to 5th August, 1993 has been fixed at 5½% per annum. The interest payable on 5th August, 1993 will be US $27.652777 per US $1,000 nominal.
Fiscal Agent, Agent Bank and Paying Agent
ROYAL BANK OF CANADA

## PUBLIC NOTICE

INSURANCE COMPANIES ACT 1982
Notice of Approval of Transfer of Business
Notice is hereby given pursuant to Section 51 (5)(a) of the above Act that the Secretary of State has approved a transfer of certain general business from Uni-Polaris Insurance Company Limited to Uni Storebrand Insurance (UK) Limited.
Department of Trade and Industry
London
30 December 1992



## PERSONAL



# PEOPLE

## Reducing Ladbroke's property exposure

Cyril Stein, chairman of Ladbroke Group, is handing over the chairmanship of Ladbroke Group Properties, its property division, to John Anderson, its managing director. Anderson is also joining the main board of Ladbroke.

Anderson (right), aged 44, is an accountant who has worked for Ladbroke since 1971. He joined the property division in 1979, becoming finance director in 1988 and managing director in February 1991.

Ladbroke says Anderson will continue to report to Stein on property matters, although he will now have more authority over the day-to-day management of the division.

Anderson's chief priority is to reduce Ladbroke's exposure to property, which has proved a serious liability during the property slump of the past three years. The group plans to reduce its portfolio of £1bn of office, retail and industrial property when it can achieve reasonable prices. Anderson is also responsible for the management of Ladbroke's property assets in the business as a whole, which are worth more than £2bn.

In Ladbroke's last full year, which was 1991, the property division made a loss of £12.4m after write-downs against falling values. In the first six months of 1992, losses deepened to £14.8m in the property division.

## Non-executive directors

■ Mark Radcliffe (left), a former director of TI and deputy director general of the CBI, at RELIANCE SECURITY SERVICES.
■ John Clark (right), chief executive at BET, at ROLLS-ROYCE.
■ Roderick Sutherland has resigned from RODERICK SUTHERLAND & PARTNERS, which has now changed its *name to Sutherland & Partners* (Edinburgh).
■ Peter Price, chairman of Hewetson and Minster Sound Radio, as chairman at WESCOL GROUP.
■ Sir Peter Michael at CRAY ELECTRONICS when he ceases to be executive chairman in May.
■ John Burnley, former senior partner of Simpson Curtis and already a non-exec, as chairman at CLAYTON, SON & Co (HOLDINGS); he succeeds Stanley Thomson who remains on the board.
■ Sir Timothy Harford as chairman at WESLEYAN ASSURANCE SOCIETY when John Alderson retires in April; Michael Worley becomes deputy chairman.
■ Liam Strong, chief executive of Sears, at ASPREY on the resignation of Geoffrey Maitland Smith.
■ Victor Watson at STYLO.
■ *Eric Fountain* has resigned from GIBBS AND DANDY.
■ John Hann will retire as chairman of NESTOR-BNA on May 31 when Francis Howard will become vice-chairman and chairman of the audit and compensation committees.
■ Neil Thomas, former joint md of WH Smith, as chairman of OWEN & ROBINSON; Alan Gaynor, who has been acting chairman, remains chief executive.
■ Sir John Ure, a former British ambassador and UK commissioner general for Expo 92 Seville, at CSE AVIATION.
■ Gavin Black, a director of Chesterton International Property Consultants, at NORTH OF ENGLAND BUILDING SOCIETY.
■ Kenneth Hilton steps down from chairman of NEWCASTLE BUILDING SOCIETY but remains vice-chairman until he retires in April.
■ Robin Bell has resigned from UPTON & SOUTHERN.

## Founder of Arlington to retire

Raymond Mould, the founder of Arlington, the property company that was bought by British Aerospace, is retiring from the company on March 31.

*Mould*, together with Patrick Vaughan, another senior Arlington executive who will retire on March 31, is moving to a new European property consultancy in Brussels, called Business Park Consultants, a wholly-owned subsidiary of Richard Ellis Holdings.

George Simpson, the BAe director responsible for Arlington, will take over as chairman of Arlington Property Holdings from Mould. He will also become chairman of Arlington Securities, a post currently occupied by Vaughan. Simpson says the resignations recognise "the changes now taking place as the Arlington business develops". BAe had agreed with Mould and Vaughan that it would have access to their advice for as long as necessary. "In many ways, these new arrangements give us the best of both worlds," he says.

Arlington was bought for £278m in 1989 to add value to BAe's surplus landbank, which had grown after its acquisitions of Rover and Royal Ordnance. However, it has incurred losses during the property downturn and BAe has stated that it wants to introduce outside shareholders once the property market improves.

Mould says: "It is obviously sad to be leaving Arlington after so many years but I am pleased with the way the company's future has been secured. We have both agreed that if we should return to the UK some time in the future, and if at that time BAe wished us to be available in some capacity, we would be delighted to work with them."

Mould resigned from the main board of BAe last August. His resignation coincided with the expiry of his three-year service contract although the contracts were rolled over until the end of the year.

■ CRT, the consultancy, recruitment and training group which on Monday announced pre-tax profits reduced from £3.61m to £689,000, has appointed John Robinson to replace Sir Douglas Hague as non-executive chairman, with effect from February 1.

Sir Douglas said his priorities had been to look for a chairman with "larger quoted plc experience" and to lift the number of non-executives to three, a process begun with the appointment of Ron Yearsley in September.

Robinson is currently chairman of Sterry Communications, and was previously managing director of Electrocomponents for five years, during which period pre-tax profits grew from £22m to £52m.

In addition, the management is to be strengthened further by the promotion of Barrie Clark, currently group finance director, to chief operating officer. He will make the move when a replacement to run the finance department can be found.

■ Given that the drugs industry has traditionally been dominated by men, Linda Kelly's career has been unusually impressive.

Bristol-Myers Squibb, the US healthcare group and tenth largest in the UK, yesterday announced that Kelly had been given control of all British drugs operations. Previously sales and marketing director, she has been appointed general manager of UK pharmaceuticals after only 14 months with the company.

Kelly, 38, will report directly to Michael Loberg, president north Europe, who has responsibility for UK operations since Gary Noon left the group in November 1991 to join Wellcome. She previously held senior marketing positions at Merck of the US and SmithKline Beecham, the Anglo-American group. Her previous position is being split into two, but the replacements have not yet been announced.

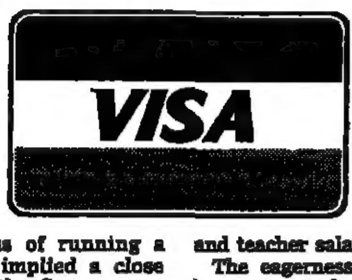
# Two-card trick from Visa

## **Barbara Harrison** on the credit card company's motives in sponsoring the city of Atlanta

In an unusual marketing deal, Visa looks set to become the *official credit* card of the city of Atlanta, Georgia. Barring a last-minute political upset the agreement, for more than $4m (£2.6m) over four years, will be finalised next week. Already it is being hailed by city officials as a marketing milestone.

They and Visa executives predict that it will be widely imitated by many other cities and companies. *But the partnership has critics*, who wonder how far the city's rampant commercialism may go. Will Tylenol's manufacturers market the pain reliever as the city's official headache remedy?

Maybe, if they become a sponsor of the 1996 Olympics, which will be held in Atlanta. Visa, which is already an Olympic sponsor, says it saw the additional *partnership* with the city as a good "ambush marketing" strategy.




During the Winter Olympics in Albertville, France, last year, Visa accused American Express of running a campaign which implied a close relationship with the Games, even though AmEx was not an official sponsor.

Such "ambush marketing" can be also be done by plastering the airport of the Olympic city with advertising, for example, giving the impression of an Olympic link.

Olympic sponsors pay dearly for the Games' commercial opportunities (an Atlanta Games sponsorship goes for $40m) and react viscerally to alleged ambushers.

Under Atlanta's deal with Visa, other credit card companies will be excluded from placing their ads around the airport or from otherwise diminishing the exclusivity of Visa's sponsorship.

While the Olympics provided the impetus for the deal, Joel Babbit, Atlanta's marketing chief and the mayor's official spokesman, believes there will be more like it. He argues that cities are seeking new ways to raise revenues at a time when the public is hostile to higher taxes.

Babbit admits, however, that there are limits to such marketing alliances. He would draw the line at firearms and sexually-oriented products, for example.

His main targets are the 1996 Olympic sponsors, though he says he would not rule out partnerships with other companies. This suggestion has some in the business community worried that the city is extorting "protection" money from their Olympics sponsorships.

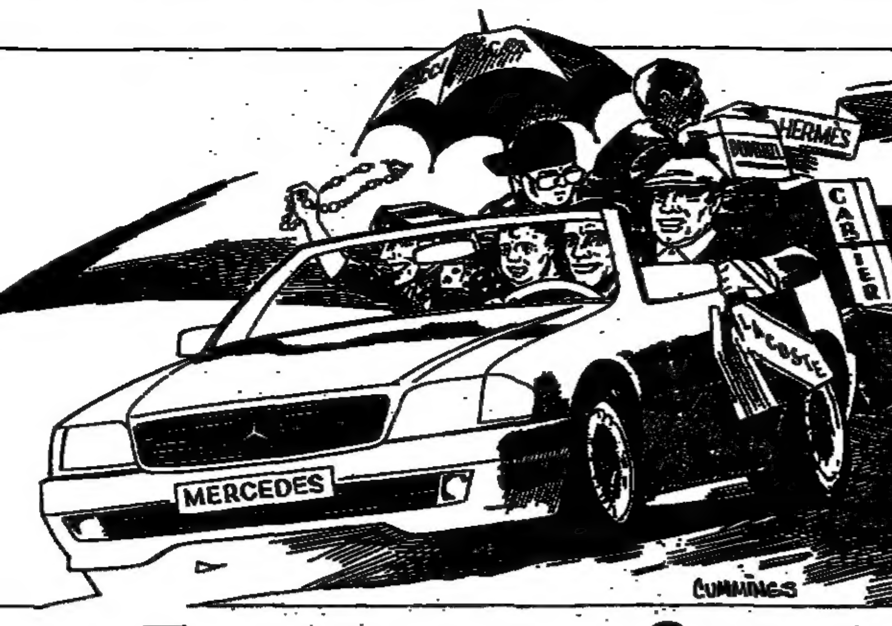
Nonetheless, companies appear to be *lining up to pay*. Babbit says he is currently negotiating with three more companies and expects to sign similar marketing deals soon.

From Visa's standpoint, the deal protects the company's impending Olympic sponsorship, but also wins it plaudits as a good corporate citizen. Although a large slice of its fees will go to the Atlanta Convention and Tourism *Bureau* to market the city worldwide (with Visa's logo on the materials), the remainder of the money goes to general city expenses like park improvements, and police and teacher salaries.

The eagerness of other cities to become part of corporate marketing campaigns is unclear. Greg Longini, assistant commissioner for planning and development in Chicago, where the opening game of the 1994 World Cup soccer contest will be played, says that the idea might have merit. But he cautioned: "Before the city became a partner in a corporate marketing campaign, we'd have to look very, very carefully."

One sensitivity he noted was that a marketing deal should not tread on the toes of a city's existing investors. In essence, if McDonald's has a corporate presence in your city (as is the case with Chicago), you cannot sign a deal with Burger King.

The Atlanta Chamber of Commerce has worried aloud about the potentially harmful effects of the Visa deal on economic development. The chamber, which leads Atlanta's promotional efforts to recruit investors, is concerned that the city's alliance with Visa could preclude investment by other credit card companies.




# Luxury for everyone

## **Gary Mead** on the mass-marketing of exclusive brands

The German motor manufacturer BMW grew powerful not just by producing an excellent range of cars; careful nurturing of the BMW brand image also helped, making BMW owners feel they were members of an exclusive club.

But times are changing. BMW is now running press advertising in the UK which features a gleaming BMW bonnet accompanied by the slogan: "It's just like a £65,000 BMW, only £50,000 less." By stressing value-for-money as much as status, BMW is tinkering – at what risk is difficult to assess so far – with that important intangible, brand image.

Another luxury German car producer, Mercedes, has decided to take a similar route. Last week its chief executive designate, Helmut Werner, announced that the company plans to transform itself from "a car manufacturer with a long tradition in the luxury class" into "an exclusive full-line manufacturer offering high-quality vehicles in all segments of the market".

Once it starts producing smaller, cheaper vehicles, though, will Mercedes also dilute its brand reputation? Not necessarily. Some luxury goods producers have successfully pinned their premium label on cheaper goods, without losing their consumer appeal.

In 1973, Cartier launched its "Les Must de Cartier" brand of trinkets aimed at the mid-market purchaser. The range proved successful, helping Cartier achieve annual growth of 25 per cent in the 1980s, and in 1991 contributing more than half of the company's SFr1.8bn (£800m) sales.

Jean-Louis Dumas-Hermès followed suit in 1978, bringing out cheaper items with the same Hermès badge as is attached to considerably more expensive items; sales have since grown ninefold, to FFr2.4bn (£300m).

Some analysts, though, attribute the relative decline of luxury brand names to an undisciplined extension of the branding to a plethora of products; at one point, for instance, the name Gucci could be found on 14,000 different products, arguably diluting beyond repair a once exclusive name. In the 1970s General Mills extended a sporting status symbol of the time, the Lacoste alligator, into a widened clothing market; sales started to sharply decline in 1982, which may have been due to a dilution of the luxury brand.

But brand-stretching of those sorts of luxury goods does not provide the best marketing analogy for what Mercedes is about to attempt. Purchasers of luxury personal accessories are not, on the whole, looking for utility as well as social status from their purchase; nor have the likes of Dunhill, Cartier or Hermès truly attempted to become mass-marketers.

Whereas these companies were simply seeking to boost profits at the margin, Mercedes is arguably engaged in a more fundamental fight for survival. In the car world, where technological distinctions are becoming increasingly narrow, price-plus-quality is becoming a marketing must. Werner said that Mercedes was in danger of being priced out of world markets if it stuck only with its luxury models which were "over-engineered".

Like BMW, Mercedes is starting its mass-marketing from an enviable position of brand strength. The trick is to produce cars for the common person without also becoming, in the minds of consumers, just another box-pusher. After all, far worse than damaging a brand, perhaps, is to see it die altogether.

# Regional bank bucks the trend

## By Michael Cassell

Most of the UK's big high-street banks may be taking the knife to their branch networks – but not all.

Yorkshire Bank, whose Australian ownership is not permitted to obscure its homely, northern flavour, underlined how it is successfully bucking the trend with the opening of its 270th branch at Hemel Hempstead, Hertfordshire, last week.

Yorkshire cannot claim to have completely escaped the storm of political criticism directed at banks. But it sees the present wave of ill feeling more as a market opportunity than a problem.

Far from dreaming up a novel strategy for the times, however, its tactics seem to be to play on its traditional strengths while the others flounder.

In terms of products, Yorkshire cannot claim to be much different from its larger competitors. Its emphasis has been on carving out for itself a different brand image, consolidating its position as a regional bank – though its branches now stretch from Gateshead to Slough – and of winning business from customers who are simply fed up with its rivals.

Yorkshire took a close look at the promotional activities of its competitors last year and found that customers were unimpressed with the stark contrast between expensive advertising imagery and actual delivery. It believed the service its own network delivered was, if anything, running ahead of its image.

With personal and small- to medium-sized business accounts as its main target, Yorkshire increasingly makes a virtue of its size and parochialism. Its claims of friendliness and approachability seemed to be supported recently when it was voted best overall bank for customer satisfaction by "Which?", the UK consumer magazine.

While insistent that it will not necessarily pick up accounts other banks consider too risky, Yorkshire maintains that the greater autonomy and discretion given to its managers guarantees a more considered, sympathetic approach.

Not everyone, however, is impressed. Christopher Cartwright, the owner of a small but long-established graphic design company who responded to Yorkshire's well-publicised desire to help small businessmen, says he got a sympathetic hearing – and a polite refusal. "So much for a different approach," says Cartwright.

Not content with welcoming suitable refugees from other banks, Yorkshire also has a keen eye for the empty high-street properties vacated by its shrinking competitors.

The bank has moved into branch premises vacated by competitors *in such towns as* Macclesfield, St Albans, Reading and Slough, though it remains fussy. It turned up its nose at every branch on a long list of properties put on the market by Midland Bank.

Expansion is undertaken steadily, advancing into new, adjacent areas only when the bank's local presence has been established. With a large chunk of the country now covered, attention is primarily concentrated on expanding within existing areas, rather than on reaching new regional markets.

There are around 70 locations on the bank's expansion list, although only three new branches are projected to open this year. At around £500,000 a time, no one wants to get the next location wrong.

So far, Yorkshire claims it has never been forced to close down a branch, most of which become profitable in about three years.

Yorkshire does have some things in common with its larger counterparts – apart from its recently reported 1992 losses. It shares the view that branches will increasingly take on the appearance of other high-street shops, with the majority of space given to customers, rather than staff.

The Hemel Hempstead branch, with its spacious banking hall, is a sign of things to come. Steve Harrison is far too thrilled with his first manager's post to complain about his own, windowless box at the back of the building. In any case, he intends to spend most of his time on the road seeing customers: "If I'm sitting in here I'm not making any money," he grins.

In Louis Malle's *Damage* the main characters could be refugees from a game of Cluedo. Married British MP Jeremy Irons – let us call him Mr Grey – falls dangerously in love with ambassador's daughter Juliette Binoche, let us call her Miss Black. (The hair, high-heel shoes and knock-em-dead stockings are all in midnight monochrome.) Since Miss Black is Mr Grey's son's girl-friend and prospective bride, neither son (Rupert Graves) nor mother (Miranda Richardson) must know. All goes well – or as well as rough sex between an ageing Minister and beautiful Anglo-French girl can go – until Madame Marigold-Yellow (Leslie Caron) blows in. She is Miss Black's mother, come from South America to pour trouble on oiled waters.

A few reels later: death. Weapon, a bunch of keys. Place, a house in West London. Victim and culprit – for me to know and you to learn.

*Damage* is scripted by David Hare from the novel by Josephine Hart and has the screaming orderliness of Hare's best film *Wetherby*. At first the sense of neat board-game melodramatics seems constricting. We have seen these moves before, haven't we? Not least in Losey-Pinter's 1967 *Accident*: perm Irons and Graves into Dirk Bogarde and Michael York and then add an interchangeable French-accented homewrecker.

But Hare and Malle make a more brutalist, 1990s partnership and an ultimately brilliant film. In *Accident* the Britain burst open by romantic apocalypse was the old cricket-and-dreaming-spires one. *Damage* gives us an older, greyer Euro-Britain already raddled by geo-political anxieties. Here a French film-maker and English writer can find common ground in a tale of sex, death and Brussels agriculture initiatives.

With tariff barriers crumbling, not even passion now bothers to stop at borders. In mid-movie Irons is seen nervously woolgathering at an EC conference, before dashing off to Paris to disturb the bedsheets of his weekending son and mistress. Elsewhere in the film the language of sex – that gymnastic gobbledegook that unites co-linguists and excludes all foreigners – is treated at once frankly and scientifically. As Irons and Binoche grapple on carpets, on tables or in stand-up French alleyways, we recognise a human phenomenon at once stirringly visceral and arcanely, forbiddingly ritualistic.

*Damage* is a psychosexual board-game, blending real emotion with a postmodern fondness for heraldic tropes. Though Miss Binoche's nymphomania is humanised by a back-history about a brother who killed himself, we know that she is really the Angel of Love and Death: a *belle dame sans merci* for the mid-life Minister. He in turn is pluperfect Mr Grey, the very model of a modern Major generalist, though Jeremy Irons gives him so many sad and witty shadings that the particular grows from the prototypical.

Malle, with cameraman Peter Biziou and designer Brian Morris, creates a visual style that sets off the movie's ever more telling ambivalences. Hints of hyperbole – in the stately piles of Irons's social circle, in the stark angles and colours of Binoche's neo-Art Deco flat – are softened by humanist lighting. And even the character who seems most unbendingly iconic, Miranda Richardson's pale and enamelled-of-feature as Irons's wife, is allowed a scarifying scene at the close: a breakdown played as if all the wellbehaved misery of Britain had at last been allowed its voice and revenge.

Juliette Binoche and Jeremy Irons: a 'belle dame sans merci' for a mid-life Minister in 'Damage'

## Film/Nigel Andrews

# A board-game of sex and death

*

"Why are you doing this?" someone asks *The Public Eye*'s news-photographer hero on catching him *in flagrante depicto*. "It's what I do, that's all" comes back shutterbug Leon Bernstein (Joe Pesci). The movie's "Bernzy" is based on real-life 1940s photographer "Weegee", who earned his name from his ouija-like powers of getting to murder scenes before the police and almost before the murderers.

Exchanges like this – terse, hardboiled, pseudo-profound – proliferate in this solo directing debut by Howard Franklin, who co-directed the Bill Murray comedy *Quick Change* and scripted the Ridley Scott thriller *Someone To Watch Over Me*.

*The Public Eye* is like a daft compote of both. There are bits of *film noir* romance/suspense, as lumpen-paparazzo Pesci courts glistening nightclub owner Barbara Hershey. (Plot: she is being blackmailed by the Mafia). And there are bits – better bits – of caustic knockabout as Pesci performs his quick-change routines in order to hi-jack moments of criminal history. Student photo-journalists, please note the skill with which he cuts out a "dog-collar" from an old shirtsleeve, turning into a priest to crash a wounded crook's ambulance.

DAMAGE (18)
**Louis Malle**

THE PUBLIC EYE (15)
**Howard Franklin**

THE END OF THE GOLDEN WEATHER (PG)
**Ian Mune**

HONEY I BLEW UP THE KID (U)
**Randal Kleiser**

FOLKS! (PG)
**Ted Kotcheff**

Wit, though, is slowly pushed aside by portentous wisdom. As well as likable clown our Bernsy must be a misunderstood artist: his snaps of poverty or urban violence dismissed as "too sensational" by publishers he approaches to print them in book form. So sent back into the streets, he decides to show them how sensational life *really* is. Following a Mafia black-market intrigue all the way to a showdown between families, he is there to catch the bloodbath on camera.

It sounds schematic and, oh dear, it is. Through the retro-noir visuals move the plot pawns. Poor Miss Hershey looks as if her daily call-sheet read "Come dressed as Gene Tierney or Barbara Stanwyck" and only Pesci, resembling an overfed penguin in a mac, crackles out lines with some of the animist venom he found for *GoodFellas*. Franklin directs like a man divided: it is as if he is holding up a photo of what a "stylish" film should be like with one hand, cranking the camera with the other, and nervously glancing between the two as dramatic life drains away.

*

According to cinema from the Antipodes – see *My Brilliant Career*, *The Getting Of Wisdom*, *Celia*, *Flirting* etc. etc. – growing up is a fulltime occupation. Adults are those oversize eccentrics who loom in from side of screen, wielding a Bible or cane or rolling pin. Children are those holy truants who forever wander the gilded beach or outback seeking and finding lost Edens.

*The End Of The Golden Weather* is the recipe as before. But as directed by Ian Mune from a stage play by Bruce Mason, it has such charm you tuck in eagerly. We are on a stretch of New Zealand coast with cliffs like layer cake. The usual grown-ups hover round the side of the narrative banquet table – fierce Dad, dimpling Mum, dotty aunts and uncles – while 12-year-old Geoff (Stephen Fulford) sits in the middle. Also jockeying for space are Geoff's mentally defective pal Firpo (Stephen Papps), who wants to be an Olympic runner, and the real Olympic runners who interrupt their beach training to rag Firpo something rotten.

Nothing and everything happens. Indeed the film is best when pursuing the sublimely marginal: like the night of disastrous Christmas theatricals by Geoff and his young sister and brother. Despite moments of here-we-go-again Antipodean archness – need there be quite so many shots of gorgeous beach and sunset-golden rollers? – this is a film about feeling good to be alive which makes *us* feel good to be alive.

*

*Honey, I Blew Up The Kid* makes us feel there are worse things than a swift and painless demise. Suburban boffin Rick Moranis, last seen shrinking his spawn at great special-effects cost to Disney, here goes the other way. Two-and-a-half year old, 112-foot Adam becomes the Baby That Terrorised Las Vegas. But wit and true inventiveness are left behind in miniature state, along with Moranis and his struggling co-stars (Marcia Strassman, John Shea, Lloyd Bridges).

*Folks!* is worse: a long, questionably tasteful, unquestionably mirthless comedy about Alzheimer's disease. Directed by Ted Kotcheff, it has Tom Selleck coping with senile dementia in father Don Ameche. The title plus exclamation mark says all. Next up, no doubt, if they make a sequel: *Oldies!*, *Wrinklies!* or *Loonies!*

## Theatre/Alastair Macaulay

# 'La Musica': a French 'Private Lives'

They loved each other once, but they couldn't bear being married to each other. Now that each of them is about to re-marry, they realise that they are still in love. We have come across this situation before – in drama as well as in real life, I mean. Noel Coward made it a classic comedy of it in *Private Lives*. Broadway and (especially) Hollywood made a whole genre from it: see *The Philadelphia Story* et al. *La Musica* is Marguerite Duras's version. It is very French, very dejected, very plotless, and pretty damned dull.

From the first re-meeting, comparisons between *Private Lives* and *La Musica* are inevitable. Like Elyot and Amanda, Michel and Anne-Marie try to avoid for a long time the shocking fact that they are still attracted to each other. They quickly point out when they must leave, they are politely considerate about each other's plans, they make discreet enquiries about the other one's intended, and then they start to reveal how much heartbreak they have been through. Certain details make Michel and Anne-Marie the more believable couple. Anne-Marie wanted a child; both of them were consumed by jealousy; at one time he came near to murdering her, at another she close to suicide.

But these details are few and far between. What consumes both Anne-Marie and Michel is ennui. Early on, when talking guardedly about the once-in-a-lifetime hell of love, she says "If it does happen again, it's perhaps because one hasn't found another way of..." She pauses, and he helps her out: "...of dealing with the ... the weariness?" "Yes," she says. Later, his new mate rings up and asks how things are going. He replies, almost casually, "We're in the hotel lounge. We're both in despair." How to get through the rest of their lives? This is what preoccupies them.

And *La Musica* is more successful as an expression of French worldweariness than as an examination of a broken marriage. True, you could say something similar about *Private Lives* – that it is more truly an expression of English frivolity than it is about a couple who can't live together or apart. But *Private Lives* creates its own world and makes it tick. *La Musica* does not have the energy or the nervous system to be a play – it is too sophisticated. It is full of post-Chekhovian non-sequiturs, post-Proustian reminiscences of obsessive jealousy, and post-Maeterlinckian symbolism ("Come into the light") that serves no purpose.

Joseph Blatchley, directing, has paced the dialogue to near-perfection, but both Harriet Walter and Larry Lamb, excellent actors, are miscast here. It is not that they sound or look too English – far from it. But her nervous intensity is too up-front; and he is too obviously sensitive and passive. Both of them lack the degree of mystery, cool and self-possession that would give more tension to what Duras leaves unspoken. (English actors can achieve this; my mind goes to Nicola Pagett and Jonathan Hyde in Anouilh's *The Rehearsal* two years back.)

The triumph of the production is Geraldine Pilgrim's set, a hotel foyer with doors and stairs leading who knows where. Nothing ever happens in *this* grand hotel, but it is in a haunting shade of green, with mysterious smoke in the air – and overgrown branches beyond the windows.

**Hampstead Theatre, Swiss Cottage. 071-722-9301**

Alastair Muir

**Weary: Harriet Walter and Larry Lamb**

## Concert/Andrew Clements

# Born in the USA

In the 1970s George Crumb was the most performed of contemporary American composers, a success founded on his knack of offering all the exotic textural trappings of the avant garde within a friendly sugar-coated shell. Twenty years on it is John Adams who occupies a similar position of eminence in the US. Adams's confections may be sugar-free yet they have their own surface allure, even if in keeping with the spirit of the 1990s it is a far more astringent one.

On Monday Adams himself conducted the London Sinfonietta in a programme of contemporary American works, three of them UK premieres, which ended with Crumb's *Ancient Voices of Children*. The song cycle was beautifully delivered by the mezzosoprano Christine Whittlesey and treble Sam Pay, yet sounds now a museum piece, the thin musical substance sustained only by its web of cultural references and the undimmed beauty of the Lorca text.

There just might be more magic left in the sounds than was obvious here, for Adams conducts rather as he composes, with bold poster colours and bracing rhythmic energy which leave precious little room for subtlety or magic. Certainly Peter Lieberson's nimble *Raising the Gaze* would have benefitted from more air and awareness of light and shade than Adams and the Sinfonietta instrumentalists suggested, while Tod Machover's *Song of Penance* seemed over-insistently eloquent.

Machover's was, though, an intriguing construction, with a solo computer-linked "hyperviola" (played by Paul Silverstone) set against dense textures which combined live and pre-recorded instruments and voices. A specially commissioned poem serves as thematic backbone; it appears in both spoken and sung form throughout the work, usually embedded deep in the textures, while the hyperviola alternates keening chromaticism with ripe romantic harmonies. The mixture is beguiling and repellent by turns like latter day Skryabin; the sheer density of the sound world is seductive in itself.

There was some new Adams too, a Chamber Symphony completed last year which was receiving its first British performance. The Schoenbergian echoes of the title belie the musical substance. There are three movements with calculatedly memorable titles – "Mongrel Airs", "Aria with Walking Bass", "Roadrunner" – and plenty of spiky stylistic allusions along the way.

The first movement jumbles *Soldier's Tale* Stravinsky with *Threepenny Opera* Weill, the second unfolds an increasing elaborate skein of lyrical lines over a constantly mobile bass, while the finale is an extrovert romp, highly virtuosic (brilliantly played by the Sinfonietta) and propelled by a rock-like rhythmic pulse. It is artfully put together, undeniably attractive and ultimately, I suspect, totally specious.

**Barbican Hall, BBC Radio 3**

# After 30 years Alec McCowen returns to the RSC

The return of Alec McCowen, after three decades, to play Prospero in *The Tempest*; Robert Stephens as *Lear*; Max Stafford Clark directing *The Country Wife* and Ian Judge *Love's Labour's Lost*; new productions of *Murder in the Cathedral* and Goldoni's *The Venetian Twins*, are among the highlights of the Royal Shakespeare Company's 1993 Stratford season, announced yesterday. There will also be a new play by David Pownall, *Elgar's Rondo*, starring McCowen as the composer.

At the Barbican in London the RSC is playing safe with successful transfers from Stratford, like *The Beggar's Opera*, *As You Like It*, *Antony and Cleopatra* and *Tamburlaine the Great* Later in the year comes the interesting revivals with Tom Stoppard's *Travesties*, directed by RSC artistic director Adrian Noble, Schiller's *The Death of Wallenstein*, and a London premiere for Alan Ayckbourn's dark comedy *Wildest Dreams*

There will also be a world premiere of *Misha's Party* written jointly by the American playwright Richard Nelson and the Russian Alexander Gelman and set in Moscow just before the 1991 coup attempt.

Although audiences in the past year, at 80 per cent, were slightly above 1991 and the RSC will break even in the 1992-93 season, Noble is cautious in his repertoire. The recession; an accumulated deficit of £2.5m; and the knowledge that the RSC will lose its £700,000 a year in sponsorship from Royal Insurance after the 1993-94 season, have persuaded him to reduce the new productions at the Royal Shakespeare Theatre to four. However the Royal Shakespeare Theatre is currently undergoing a £400,000 facelift, including new seats.

A boost for the RSC has come from English Estates, which is to sponsor the regional tour of *Julius Caesar* to small venues, like sports halls. The cost will be in excess of £100,000.

**Antony Thorncroft**

# *INTERNATIONAL* ARTS GUIDE

## ATHENS

**Concert Hall** Sun and Mon: Artis Quartet plays works by Mozart and Haydn. Next Wed and Thurs: Melos Quartet (722 5511)

## BOLOGNA

**Teatro Communale** Mon: Brodsky Quartet. Feb 16: Marcel Marceau. Feb 20: first night of Elijah Moshinsky's production of Simon Boccanegra (529999)

## CLEVELAND

**Severance Hall** Tonight, tomorrow, Sat: Jahja Ling conducts Cleveland Orchestra and Chorus in Mendelssohn's Elijah. Next week: Kyung Wha Chung plays Bruch (231 1111)

## COPENHAGEN

**Royal Theatre** Tonight and Tues: Ariadne auf Naxos. Tomorrow and Mon: Peter Maxwell Davies' ballet Caroline Mathilde, choreographed by Flemming Flindt. Sat: Lohengrin. Wed: Le nozze di Figaro. Next Thurs: first night of new production of Balanchine choreographies (3314 1002)

## FLORENCE

**Teatro Communale** Sat and Tues: Evgeny Kolobov conducts Yannis Kokkos' production of Boris Godunov, with Ruggero Raimondi and Olga Borodina. Next production: Die Frau ohne Schatten opening on Feb 25 (277 9236)

## THE HAGUE

**Danstheater** Tonight and tomorrow: Nederlands Dans Theater in choreographies by Hans van Manen, David Parsons and Jiri Kylian. Sat and Sun: Djazzex in choreographies by Glenn van der Hoff and others. Thurs: world premiere of work by Paolo Ribeiro (360 4930)
**Dr Anton Philipszaal** Tonight and tomorrow: Gunter Herbig conducts Hague Philharmonic Orchestra in works by Lutoslawski, Francaix and Beethoven (plus alternative programme on Sun afternoon). Mon: Netherlands Chamber Orchestra (360 9810)

## LONDON

**THEATRE**

● No Man's Land: Harold Pinter's 1975 play transfers from the Almeida, in the production directed by David Leveaux starring Paul Eddington and Pinter himself. Now in previews. Press night next Tues (Comedy 071-867 1045)
● King Lear: the Royal Court's first Shakespeare since 1980, in a hard, unglamorous production directed by Max Stafford-Clark (Royal Court 071-730 1745)
● Richard III: Simon Russell Beale's savagely funny monster in Sam Mendes' RSC production. Till Feb 20 (Donmar Warehouse 071-867 1150)
● Carousel: Joanna Riding and Michael Hayden in the Rodgers and Hammerstein fairground musical (National Theatre 071-928 2252)
● Artists and Admirers: Ostrovsky's funny, moving play about turn-of-the-century Russia. An RSC production directed by Phyllida Lloyd (Barbican 071-638 8891)

**DANCE/OPERA**

**Covent Garden Royal Ballet:** Sleeping Beauty tonight and tomorrow, plus world premiere of new David Bintley work next Thurs. **Royal Opera:** Edward Downes conducts Elijah Moshinsky's new production of Stiffelio on Sat and Wed, with José Carreras and Catherine Malfitano; Thomas Hampson makes his Covent Garden debut in a revival of Il barbiere di Siviglia on Mon (071-240 1066)
**Coliseum** ENO repertory consists of Jonathan Miller's production of Rigoletto tonight, next Wed and Fri, The Turn of the Screw with Valerie Masterson and Philip Langridge tomorrow and Carmen with Sally Burgess on Sat, next Tues, Thurs and Sat. Feb 19: new production of Don Pasquale (071-836 3161)
**Sadler's Wells** Birmingham Royal Ballet season runs till Feb 13 with two David Bintley story ballets. Tonight, tomorrow, Sat: Hobson's Choice. Next Tues-Sat: The Snow Queen (071-278 8916)
**Royal Albert Hall** Bolshoy Ballet daily except Mon till Feb 14 (071-589 8212)

**CONCERTS**

**Royal Festival Hall** Tonight: Yehudi Menuhin conducts YMSO, with violin soloist Vadim Repin. Tomorrow: Mark Wigglesworth conducts BBCSO in Messiaen's Turangalila.
Sun: Boulez conducts Messiaen, Carter and Boulez. Mon: Georg Solti conducts Vienna Philharmonic Orchestra in symphonies by Mendelssohn and Shostakovich. Tues and Thurs: Klaus Tennstedt conducts Haydn's Creation.Wed: Neville Marriner conducts ASMF in works by Lutoslawski, Sibelius and Dvorak (071-928 8800)
**Queen Elizabeth Hall** Heinrich Schiff and Alban Berg Quartet play Schubert. Tomorrow: London Chamber Orchestra plays Debussy, Mozart and Fauré. Sat: Graham Mayo conducts English Heritage Orchestra in Berlioz's L'Enfance du Christ. Sun afternoon: Endellion String Quartet. Mon: Stefan Popov plays Walton's Cello Concerto. Tues: Schubert programme with Sian Edwards, Imogen Cooper and BBC Singers (071-928 8800)
**Barbican** Tomorrow: Anne Sophie Mutter violin recital. Sat: Stephane Grappelli 85th birthday concert. Sun: LSO String Ensemble plays works by Bach and Vivaldi. Tues: Polish Chamber Orchestra. Wed: James Judd conducts New Queen's Hall Orchestra with piano soloist Vladimir Ovchinikov. Next Thurs: Kent Nagano conducts LSO. Feb 13: Igor Oistrakh. Feb 17, 18: Ute *Lemper sings Weill* (071-638 8891)

## PRAGUE

**CONCERTS**

Tonight and tomorrow in **Dvorak Hall**, Andrew Davis conducts Czech Philharmonic Orchestra in works by Mozart, Martinu and Elgar (286 0111). Tues and Wed at **Smetana Hall**: Martin Turnovsky conducts Prague Symphony Orchestra (232 2501)

**OPERA**

**National Theatre** has La bohème tonight and tomorrow, Katya Kabanova next Tues and Thurs, and Rusalka on Wed (205364). **Estates Theatre** has Don Giovanni on Sat and Le nozze di Figaro on Feb 19 and 25 (228658). **Prague State Opera** has its annual opera ball on Sat, L'Italiana in Algeri on Wed and Les Contes d'Hoffmann next Fri (265353)
● For pre-booking, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

## STOCKHOLM

**Royal Opera** Tonight and next Wed: Simon Boccanegra. Tomorrow and Mon: Cosi fan tutte. Sat: Arabella.
Next Tues and Thurs: Cav and Pag (248240)
**Konserthuset** Tonight: Leif Segerstam conducts Stockholm Philharmonic Orchestra in works by Strauss, Lloyd Webber, Weill and Respighi. Sun: Anne Sophie Mutter (244130)

## ASHLAND/OREGON

**OREGON SHAKESPEARE FESTIVAL**

The Oregon Shakespeare Festival festival, which was founded 58 years ago in the town of Ashland in southern Oregon, opens its 1993 season on Feb 19 and runs till Oct 31.

The programme is divided between three theatres and it also puts four Shakespeare works in repertory with eight other plays.

The opening Shakespeare production this year is Richard III (Feb 19), followed by Cymbeline (Feb 25), Antony and Cleopatra (June 8) and A Midsummer Night's Dream (June 9).

The repertory also includes a Feydeau farce, a play by August Wilson about freed slaves, Terrence McNally's Broadway success Lips Together Teeth Apart, John Webster's The White Devil and Caryl Churchill's play about the fall of Ceausescu, Mad Forest.

Performances are daily except Mon.

A festival brochure and booking deatails are available from: PO Box 158, Ashland, OR 97520 (Tel 503-482 4331).

**European Cable and Satellite Business TV**

(all times are Central European Time)

**MONDAY TO THURSDAY**

**Super Channel:** European Business Today 0700; 22.30

**MONDAY**

**Super Channel:** West of Moscow 1200.
**Super Channel:** Financial Times Reports 0630

**THURSDAY**

**Sky News:** Financial Times Reports 2030; 0130

**FRIDAY**

**Super Channel:** European Business Today 0700; 1200; 2230
**Sky News:** Financial Times Reports 0530

**SATURDAY**

**Super Channel:** Financial Times Reports 0830
**Sky News:** West of Moscow 1130; 2230

**SUNDAY**

**Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
**Sky News:** West of Moscow 0230; 0530
**Sky News:** Financial Times Reports 1330; 2030

# He has seen the future, and it works differently

BOOK REVIEW

POST-CAPITALIST SOCIETY
By Peter F. Drucker
*In UK, Butterworth Heinemann £16.95. In US, HarperCollins $25*

In the two dozen books which the encyclopaedic Peter Drucker has written since his first, The End of Economic Man, in 1939, he has dealt in various combinations with philosophy, politics, economics, ancient and modern history, sociology, science, technology and – most notably – the management of all types of organisations, from businesses to non-profit bodies and even governments.

Very occasionally, this still-fresh 83-year-old has turned his hand to integrating all these themes into one volume, in a manner rivalled by few writers over the past 50 years – and that includes the once-fashionable John Kenneth Galbraith. Yet Drucker's reputation among most "educated persons" (the object of the slightly teasing conclusion of this volume) rests just on his seminal writings about business management.

These range from classics such as Concept of the Corporation in 1946, through The Practice of Management in 1954, right up to Innovation and Entrepreneurship in 1985, plus the book a year he has produced since then.

With Post-Capitalist Society, Drucker has reverted to weaving all the threads together into a universal tapestry. For readers uninitiated in his power and range, the book should put an end to his narrow reputation. It reveals him better than ever as an acute observer of the underlying trends in each subject area, and his erudition and perspective help him knit them together persuasively.

The "post-capitalism" of his title may create unfortunate echoes of the recent flood of often half-baked writings about "post-modernism" in almost every walk of society and the arts. But it has method in it.

We have entered a "post-capitalist" era, says Drucker, in the sense that the "capitalist" society of the mid-1800s to mid-1900s was dominated by two forces: capital and labour. Now, and increasingly over the next two decades, we will move rapidly into a "knowledge" society, in which the most vital factor of production will no longer be natural resources, capital or labour – all of which can be obtained with relative ease today – but knowledge.

By the year 2000, he predicts, there will be no developed country where workers making and moving goods account for more than one-sixth of the labour force.

Instead, the two key classes of society, with a greyer line between them than there has been between capital and labour, will be knowledge workers and service workers. Drucker argues that the main economic and social challenges will be, respectively, the productivity of the former and the dignity of the latter, whose numbers will be slightly greater.

Lest his "post-capitalism" should confuse the reader, Drucker makes it clear that it is in no way anti-capitalist in the sense that some post-modernists, though not all, are anti-modernist. It is centred upon the free market, as the only proven economic mechanism, although some of its institutions will have to change their roles. Commercial banks, for instance, will make their money increasingly by receiving fees for information, rather than by earning a return on money.

**In future, he argues, the most vital factor of production will be knowledge, not natural resources, capital or labour**

Among the other characteristics of post-capitalist society, says Drucker, will be the confusing economic, political, social and managerial effects of constantly see-sawing tension between tribalism, nation states, regionalism and "transnationalism".

For all his illuminating discussion of this phenomenon, Drucker is at his most thought-provoking on the economics and productivity of knowledge, and on organisational issues such as why specialisation is almost always more effective than diversification, whether in a business or a hospital.

In an especially intriguing chapter, he points out the difficulty of quantifying knowledge, and therefore calculating a return on it. Hence, as he says, the lack of an adequate economic theory of knowledge despite the emergence of knowledge at the centre of the wealth-producing process.

At a more down-to-earth level, Drucker dwells at length on the need in a knowledge-intensive society to take education out of the traditional classroom and, by the use of technology, to make it available – and attractive – to people throughout their lives.

Universal "literacy" will consist not just of reading, writing and arithmetic, but also of fully-fledged numeracy, an understanding of science, technology and foreign languages, plus what Drucker calls "learning how to be effective as a member of an organisation". Above all, it will require better "process knowledge" – including "learning how to learn" – as distinct from traditional subject knowledge.

In order to lay the foundations of this society, Drucker argues that schools and colleges will have to become open to all ages, as well as more competitive and accountable for their performance.

If all this seems too rich and indigestible a concoction to swallow, potential readers should be reassured that Drucker's sparse prose is laced with allusions not just to Socratic versus Protagorasian debate (about the nature of knowledge), but also to 13th-century Sienese art, to Jean-Jacques Rousseau, to Margaret Thatcher, and even to the Girl Scouts movement.

Drucker is nothing if not eclectic. After all the torrential, over-cooked outpourings of American futurologists such as John Naisbitt and Alvin Toffler over the past decade, this slim volume makes a neater yet more elegant and refreshing change of menu.

**Christopher Lorenz**

*ECONOMIC VIEWPOINT*

# Germany fails the Maastricht test

**By Samuel Brittan**

The theme of this year's Davos World Economic Forum was "rallying all the forces for global recovery". There was a good deal of agreement on a general theme that the world needed a sustained, soundly-based recovery rather than a quick fix.

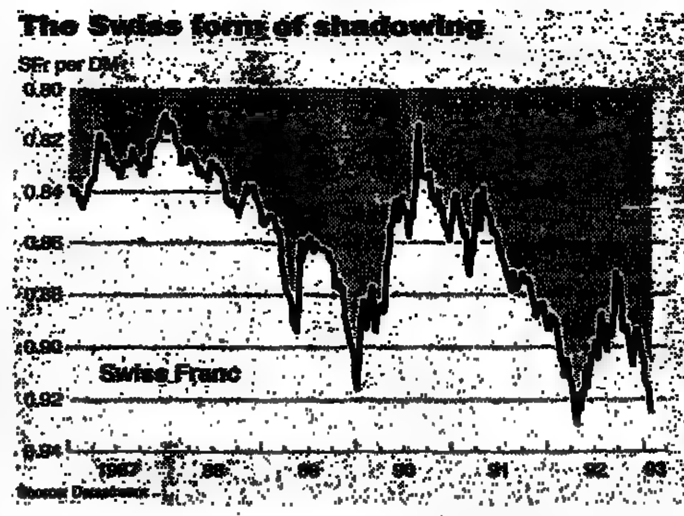
There was also the theme of a world capital or savings shortage. How this could be so amid so many complaints of the lengths and depths of the recession and the calls to stimulate spending baffled me. If there is a shortage of savings one would expect interest rates to be rising and demand to be booming. Instead we see the opposite. The nearest I got to an answer was from a well-known US economist who wanted to see a rise in American savings, but not too much too soon, echoing Saint Augustine, who wanted to become virtuous, but not yet.

The European Monetary System (EMS) was a peripheral theme in the global forum. But it was extensively discussed in what British political conferences would call fringe meetings. A widespread consensus, covering Germany as well as Britain, was expressed by Mr Robin Leigh-Pemberton, the governor of the Bank of England, when he said that the EMS had to work more flexibly, "with more timely and more frequent realignments".

The former French prime minister Raymond Barre, himself a pioneer of European Community monetary arrangements, agreed that it had been a mistake to see the European exchange rate mechanism (ERM) prematurely as a *de facto* monetary union. He would have preferred a realignment earlier in 1992. He would have liked the UK to have realigned downwards by a few percentage points together with Italy, Spain and Ireland while the D-Mark and the French franc should both have realigned upwards. Yet only a couple of years ago the Bundesbank was pressing for an appreciation of the D-Mark against the franc as well as other currencies.

The French government is now braced for a further speculative attack on the franc, maybe bigger than last autumn's, either in the run-up to the parliamentary elections in March, which the right-wing opposition headed by Jacques Chirac is likely to win. Some think that the pressure will be greatest during the negotiations that lead up to the next period of co-habitation between the French conservatives and President Mitterrand.

**The Swiss form of shadowing**



Source: Datastream


Jacques Chirac: French opposition leader

The paradox is that on "fundamentals" the franc is in a stronger position than the D-Mark. French inflation is lower; the budget and current account balances are in better shape; and there has been a smaller drop in industrial production in the current recession. Indeed one reason why the Bundesbank is against an early fast track to monetary union among a few core countries is the belief that Germany is not strong enough for such a step – the budget deficit in particular is likely to be for several years well above the Maastricht criteria.

**The Bundesbank sees an intellectual case for wide margins in the ERM**

Nor is the Bundesbank impressed by some of the specific proposals in the air, such as representatives of the Bundesbank and the Banc de France sitting on each other's boards. Apart from anything else there is no body equivalent to the Bundesbank council in France and the Bundesbank is unwilling to share responsibility for German monetary policy in advance of the Maastricht process.

As for the frequent suggestion of a narrowing of the franc-D-Mark margins, the response is that there is an intellectual case for wider not narrower margins to provide flexibility. A *de facto* example is provided by Switzerland, where the national bank has in practice shadowed the D-Mark within a broad band as well as targeting the money supply, but, unlike Austria, has avoided rigid currency links. Because of expectations of a rising Swiss franc, Switzerland can now have short-term interest rates some 3 percentage points below those of Germany. (The reason why a wide margin did not work in the British case is that the central rate was regarded as too high and there was no belief in a likely upward rebound when the bottom end of the grid was reached).

A proposal for wider margins would be thrown out politically by France and some other nations as a step away from the European goal. The Bundesbank is therefore unlikely to propose it in the current review of ERM procedure.

The one argument for a franc depreciation is the height of French short-term interest rates and the high and rising level of unemployment. French officials regard their country's unemployment as largely structural, reflecting labour market blockages – which does not sit easily with the insistence of the Mitterrand government for a so-called social element in the EC.

Obviously French unemployment has been aggravated by recession. But the increase has not been anything like as large as in Britain and the dependence of French households and industry on short-term finance is very much less. The question for the country's leaders is whether it is worth jeopardising the credibility so painfully won by the years of the *franc fort* policy and the political gains from the close monetary relationship with Germany for the sake of a quicker cut in interest rates.

**French officials regard their country's unemployment as largely structural**

The Bundesbank objection to "unlimited intervention" in favour of any currency is well-known. But it may not arise because of the French policy (unlike the British last autumn) of defending the franc before the limit of the grid is reached. The hope of both the German and French sides is that a mixture of finite Bundesbank intervention, French willingness to use reserves and to introduce emergency increases in interest rates, will enable the franc to pull through until the end of March. There are strong hints that the French have undisclosed lines of credit, apart from their partners' ERM obligations. These could be either with the Bundesbank directly or through the central bank network at the Bank for International Settlements in Basle.

The hope is that such measures will buy time until it is clear that a new French government supports the *franc fort*. The need for interest rate differentials against Germany could then go. In addition, German interest rates may at last be in clear decline. These two influences together should be sufficient to reduce French interest rates by up to 5 percentage points, and resist the political pressures for a U-turn. The strongest force going for the franc is, however, the market belief that it is fundamentally very strong.

A Swiss banker specialising in France told me that he was switching from franc deposits into French equities. But he hesitated to move French francs into other currencies because he did not expect at worst an depreciation of more than 5 per cent and that there were many risks and costs involved, including the strong chance that the franc would soon start moving up again.

The greatest risk for the French franc is the delay in making substantial cuts in German interest rates. If questioned about the strong recessionary forces in Germany, Bundesbank sources will ask why they are not showing up in the monetary numbers. They also see little sign of any other underlying turnround in inflation.

Nevertheless the Bundesbank does look at the real economy as well as the money supply and once the symbolism of the solidarity pact with the unions, employers and Länder is in sight – Chancellor Kohl has given a deadline of February 17 – the Bundesbank will have to start reducing interest rates in earnest. But I cannot blame it for waiting until the last possible moment.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938: Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Stability of interest rate the real need

*From Mrs Rowena Mills.*

Sir, Mr Norman Lamont, the chancellor, was not particularly wise in reminding us that interest rates are now at their lowest level for 15 years – viz, 1978 ("UK base rates cut to 15-year low", January 27). There are all too many of us who will vividly recall that on November 23 1979 the minimum lending rate, as it was then called, was jacked up to 17.5 per cent (I was driving at the time of the announcement and nearly hit a tree), and from 7.5 per cent in May 1987 to 15 per cent in September 1989. How can the chancellor possibly fail to understand that a reduction to 6 per cent will be of little stimulus to consumption and investment when there is this record behind him?

Above all, companies and individuals need to be confident of long-term stability in lending rates before they go out into the market place and commit themselves to expenditure or borrowing on any significant scale.

Rowena Mills,
*chairman and chief executive,*
*Rowena Mills Associates,*
*Peart Hall,*
*Spaxton,*
*Bridgwater, Somerset TA5 1DA*

## Illogical to fault ICI's new deal on productivity

*From Mr Keith Standring.*

Sir, Your leader ("ICI pays up", January 2) on the new deal at ICI argues that the company was at fault in agreeing a substantial real increase in pay in exchange for greater productivity. This was both unfair and illogical.

I hope you would concede that the future of Britain is as a high-skill, high-wage economy, like Japan, and not merely as an EC base for that country's "screwdriver" operations. If that is the case then what is the problem with workers who produce more being paid more?

The GMB is, and will remain, at the forefront of negotiations which make British industry more productive, but we do this for the benefit of our members and the UK economy as a whole, not simply for the benefit of shareholders.

If we had a few more companies such as ICI we would have neither a trade deficit nor a ballooning public sector borrowing requirement. But then to achieve that we also need a government with an industrial strategy.

Keith Standring,
*national secretary GMB,*
*process and construction sectn,*
*22-24 Worple Road,*
*London SW19 4DD*

## PO Counters profitable

*From Mr Richard Dykes.*

Sir, You assert ("Parcelling up the Post Office", January 3) that Post Office Counter Services loses money. Not so. Since our company was set up as a separately managed subsidiary in 1986 we have consistently hit the profit targets set by government. Last year we made £26m, a return on capital employed of 10.5 per cent. This year we are well on course for another successful result.

Richard Dykes,
*managing director,*
*Post Office Counters.*
*Drury House,*
*1-16 Blackfriars Road,*
*London SE1 9UA*

## Nuclear the cheapest energy in France

*From Mr Claude Mandil.*

Sir, In his Personal View (January 29), Mr Malcolm Bruce mentions "subsidised French electricity". Such an allegation is wrong. Every two years a thorough assessment of the nuclear energy costs is done by a group of experts from various fields of expertise: oil, gas and coal producers, power generators and equipment manufacturers, representatives of Electricité de France and civil servants as well.

The conclusions drawn from their studies have proved to be consistent with the ones obtained by experts from the most recognised international bodies such as the OECD. Its last report, entitled Reference Costs, which has recently been published, clearly shows that in France nuclear-fuelled electricity is, for load-based periods longer than 4,000 hours a year (ie, for half of the year), still the most efficient and cheapest source of energy.

Such a conclusion remains valid even under contrasting scenarios concerning the prices of primary fuels, strong currency exchange rates and discount rate fluctuations.

The present cost of French nuclear electricity, between 20 and 22 cents a kilowatt/hour, includes all the costs derived from the entire nuclear process, particularly the reprocessing and storage of nuclear waste and the decommissioning of obsolete plants. All such costs are, under very conservative hypotheses, integrated into the nuclear kilowatt/hour final cost.

Electricité de France, which operates our electro-nuclear programmes without any subsidy, is a profit-making company though. Its operating profits will amount to about FFr3bn (£360m) for 1992.

Claude Mandil,
*director general for energy,*
*Ministry for Industry,*
*99 rue de Grenelle,*
*75353 Paris,*
*France*

## Police still face many problems in combating serious fraud

*From J A McStravick.*

Sir, The article by Robert Rice ("Dilemma over dealing with City cases", January 27) commenting on the working party report by the bar highlighted many of the problems faced by the authorities in combating serious fraud.

Apart from the retention of the jury, there were a number of matters in the working party's recommendations with which I could disagree.

I do not believe that the Serious Fraud Office, the Crown Prosecution Service – or indeed City regulators – are capable of deciding whether a defendant is likely to receive a custodial sentence. If offences which are investigated by the SFO are not serious enough to warrant prison sentences, why would that office be dealing with them?

Self-regulation is not at present working – some disciplinary proceedings are almost as costly as many Crown Court trials! They can be too fragmented, have only powers over members and while they can impose substantial financial penalties, they are powerless to deal with non-member accomplices.

I agree that some elements of "compounding," as practised by the Customs and Excise, are attractive, but would prefer a formal system of plea bargaining. However, what is essential to reduce important fraud trials to a manageable status is an end to what the working party call the defendants' "right of non-co-operation".

"Common sense and the weight of evidence submitted" led Lord Roskill's Fraud Committee to conclude that non-co-operation "is a hindrance to efficient handling of many fraud cases". The committee dismissed the argument that an obligation to disclose would be an infringement of fundamental principles of criminal law. Following that committee's report, Section 9(5) of the Criminal Justice Act 1987 requires that, after the service of a case statement by the prosecution, defendants may be directed to give a written statement outlining the "general" nature of the defence.

Unfortunately, in practice the intentions of parliament have been thwarted whenever a defendant does not see fit to co-operate. Possibly as a result of the word "general", in more than one trial since the act, defendants' "statements" have called on the prosecution strictly to prove all of the case for the Crown. Other than being later commented upon by the judge to the jury, such compliance is not compellable.

J A McStravick,
*Detective Chief Superintendent,*
*Company Fraud Department,*
*Metropolitan Police,*
*2 Richbell Street,*
*London WC1N 3LA*

FINANCIAL TIMES
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Thursday February 4 1993

# Free speech for Europe

THE EUROPEAN Commission will soon decide whether to abolish the telephone monopolies which exist in most member states. Its decision will not only be a watershed for telecommunications but will also define its overall attitude to public monopolies.

The decision will be controversial as the public consultation now at an end has shown. Ranged against full-blooded liberalisation are most of the monopolies themselves, backed by their national ministries. In favour are users and a few telephone companies, the most important being British Telecommunications, which published a powerful document on the subject this week.

It is uncertain which way the Commission will go. This is partly because the two commissioners with the biggest say – Mr Karel van Miert, in charge of competition, and Mr Martin Bangemann, in charge of industry – are both new to the sector. But the Commission should have no doubt over what to do. Not only is the economic case for full liberalisation of both services and infrastructure overwhelming. The Commission is arguably required to open the market by the Treaty of Rome's competition provisions.

Competition will bring lower prices and stimulate investment in new services. In particular, it will help tie Europe together by driving down cross-border tariffs which are three to six times higher than charges for calls of a similar distance in the US. Maintaining monopolies, by contrast, will undermine Europe's competitiveness at a time when the US and Japan have already moved down the path of liberalisation.

The legal position is also clear. The European Court of Justice has reaffirmed that the treaty's competition provisions apply to public monopolies and that the commission has the authority to implement them. In this case – as in others concerning competition – the principle of subsidiarity cannot be used to deter commission action. If nations had local choice on whether to open up their markets, the single market would quickly fragment.

The only possible justification for retaining the monopolies would be if that was the only way social obligations, such as the provision of universal service, could be preserved. But this much-used argument has been undermined by the fact that telecommunications has been successfully liberalised elsewhere without abandoning social obligations.

It is, of course, important to ensure a level playing field so that new rivals do not simply "cherry-pick", leaving the established players handicapped with obligations. But this is perfectly feasible – for example, through a system of access charges whereby competitors contribute to social costs.

The Commission has already taken small steps down the path of liberalisation. It may now be tempted to take more half measures and phase them in over a long period. But Europe has already waited long enough and nothing less than full competition will do.

# Japanese lessons

JAPANESE manufacturing companies, throughout most of the past decade, have been feared and admired in equal measures by their competitors in Europe and the US. But three years of falling profits has brought many Japanese companies down to earth. The electronics industry is becalmed; Japan's personal computer makers are facing an onslaught in their own market from US producers such as IBM, Dell and Compaq; the car makers are struggling with the depreciation costs of their huge investments which have left them with vast overcapacity in Japan.

Throughout the 1980s western companies were urged to learn many Japanese lessons. Sony and Toyota were held up as models of the lean, innovative and far-sighted companies. Western firms were urged to make production more efficient and improve quality through more flexible working practices and to emulate Japanese producers which, in cars and electronics, have developed a wider range of products with greater speed than their competitors.

But not all the sources of Japanese success in the 1980s have been properly understood, as a recent Bank of Japan report concludes. Much of the improvement in Japanese manufacturers' finances was due to the availability of cheap finance from banks and the stock market. Japanese companies' profits rose and their market valuations soared, enabling them to buy foreign companies and build plants abroad.

This cheap capital helped to mask a deterioration in performance at most companies where fixed costs rose. As the stock market has fallen, the cost of capital in Japan has risen, thereby undermining one of the main advantages of Japanese companies.

Yet the downturn is exposing the real strengths of the best Japanese companies: a well-educated workforce; deep financial reserves built up over time; good technology to exploit strong market positions and, at some companies, far-sighted senior management.

Past economic crises forced Japanese manufacturers into wrenching restructuring from which they emerged much more competitive. The oil shocks of the 1970s forced a shift from heavy industry to light industries such as electronics. The yen appreciation of the 1980s led Japanese companies to diversify internationally.

This capacity to reinvent its corporations and to remake its industrial structure still persists in Japan. Companies are retreating from some of the gospel of the 1980s. Product ranges are contracting. The life-cycle of products is being extended. Supplier networks are being rationalised. The lifetime employment system is being reformed with retirements among older workers more commonplace. Companies are paying greater attention to controlling costs and expanding their profit margins.

The last few years have thrown up some new Japanese stars, such as Nintendo and Seaga, the electronic game companies which dominate industries which did not exist 10 years ago. These nimble, entrepreneurial companies should serve as a model for restructuring which is much needed at the lumbering giants such as Matsushita, the electronics group.

Japanese companies will come out of this downturn deprived of some of the advantages they enjoyed in the 1980s. Some may never again experience the glories of the 1980s. But it would be very unwise of any western company to assume that the Japanese challenge is bound to fade.

# Cyprus choice

GREEK CYPRIOTS have an important decision to make next Sunday, and the Sunday after, in their two-ballot presidential election. It is to all intents and purposes a referendum on the "set of ideas" proposed by the United Nations as a basis for reuniting the island as a single state, but with two separate zones for Greeks and Turks and a federal constitution. The incumbent, Mr George Vassiliou, was intimately involved in negotiating this document and is firmly committed to it. Of his two serious opponents one, Mr Paschalis Paschalides, rejects it outright, while the other, Mr Glafcos Clerides, says it contains both good and bad, and claims that he can improve it.

The latter claim is quite unrealistic. The set of ideas, although worked out by the UN Secretariat on the basis of two years of intensive contact with both sides, has been rejected by Mr Rauf Denktas, the Turkish Cypriot leader, as giving too much to the Greeks. But it has been formally endorsed by the UN Security Council which, in a resolution passed last November, pointed its finger clearly at the Turkish Cypriot side as being responsible for the failure of repeated attempts to reach agreement, and formally called on that side "to adopt positions that are consistent with the set of ideas" on certain important issues.

That the Security Council should have involved itself in this way in the substance of negotiations between the two communities, and have come down so clearly on one side, is unprecedented, and constitutes a remarkable victory for Mr Vassiliou's moderate and reasonable approach. Mr Denktas and his protectors on the Turkish mainland are more isolated internationally on the issue than at any time since Turkey used force to secure the northern third of the island for the Turkish-speaking fifth of the population in 1974-75.

At that time the Turks successfully defied Security Council resolutions calling for the withdrawal of all foreign troops from the island; and in cold war conditions the council did nothing about it, except urge the two Cypriot communities to negotiate. In the 1990s it will not be so easily fobbed off. Turkey would have to take seriously the position of a re-elected President Vassiliou, backed by a sympathetic President Clinton and, for once, a united EC. Greek Cypriot voters would be foolish indeed if they spared the Turkish government that dilemma.

# Not in the best of health

## The WHO faces recurring internal divisions and doubts about its effectiveness, says Bronwen Maddox

When Dr Hiroshi Nakajima set himself the goal last year of being re-elected director-general of the World Health Organisation, following a Japanese custom he painted one eye on to a huge red-and-gold *papier-mâché* head. Twelve days ago he painted on the second eye to mark his victory: a second five-year term at the head of one of the largest and oldest United Nations institutions, despite being dubbed by critics the least popular director-general in its history.

"There have been many attacks on my style but I am pleased with the [election] outcome," he says, in a deadpan comment on one of the most bitter campaigns fought in the WHO. When the Japanese ornamental carp at its Geneva headquarters were found gutted on the grass one morning last summer, many assumed it was the work of his opponents. In more explicit statements, he has been accused of poor communication, autocratic tendencies and lack of leadership.

He kept his job by a decisive 18-13 margin because of support from developing countries, who make up most of the 31-strong board. They appear to believe he will be better than his rival candidate, Algeria's Mohammed Abdelmoumene – who was backed by the US and Europe – at safeguarding their health programmes. Although Japan has not yet played a prominent part in international aid projects, his re-election may represent a judgment by developing countries that they can no longer rely so heavily on the European and US economies.

But just days into his new term Dr Nakajima has ordered an independent audit into alleged financial irregularities in awarding contracts to research institutes. He is also confronted by a series of difficult strategic issues now facing the organisation and by doubts that he is the right person to resolve them.

Founded in 1948, in the flush of post-war humanitarian ideals, the WHO is dedicated to tackling some of the world's most intractable problems – the growth of population and the spread of disease. Its greatest triumph came with the eradication of smallpox in 1977. Its influence is considerable: its pronouncements can force governments to clean up drinking water or persuade mothers that "breast is best" for their babies.

Yet the organisation lacks the high public profile of some of the smaller UN agencies which have been fighting emergencies in Bosnia and Somalia, such as Unicef, the children's fund, or the UNHCR refugee schemes. "We could fly in like them, with good-looking doctors and TV crews, but it's not our style," says one WHO official.

Primarily a research and advisory body, many of whose 4,500 staff hold degrees from top western medical colleges, the WHO adopts a low-key approach. Its doctors point out that together with its long-term outlook, this makes success hard to define. Smallpox is the only disease it has eradicated, and future triumphs are unlikely to be as clear-cut. It had intended malaria to be the second "wipe-out" but it realised more than 20 years ago that it would have to limit its goals. It was typically taking pharmaceutical companies 10 years and $75m to develop drugs to combat the disease, but the malaria parasite was mutating into drug-resistant forms at a much faster rate.

The WHO's latest targets are still formidable, and its doctors are cautious about whether they are achievable. It hopes by the year 2000 to have eliminated leprosy and polio and to have immunised more than 90 per cent of the world's children against measles, whooping cough, tuberculosis, tetanus, polio, and diphtheria. It has already reached more than 80 per cent of children, but the rest live in the poorest countries where disease is most prevalent. Universal immunisation "may be almost impossible", says one official.

The spread of Aids, perhaps the biggest challenge the WHO faces and the one with which it is most closely identified in the public mind, presents even greater difficulties. With no vaccine in sight, the WHO says it is trying simply to curb the spread of the disease. Its doctors say they judge success by small steps – persuading health ministers to take Aids seriously or setting up the distribution of condoms to Nigerian brothels.

But now that recession is making developed countries look more closely at their aid budgets, the low public awareness of much of the WHO's work and the difficulty of measuring progress leaves it vulnerable in the fierce international competition for humanitarian funds.

Its core or "regular" budget covering 1992 and 1993 was $734m, a quarter contributed by the US and 12 per cent by Japan. For several years, like many UN bodies, its contributions have risen in line with inflation. However, the WHO collected only 78 per cent of its core budget last year; several poor countries defaulted on commitments, and the collapse of the former Soviet Union wiped $70m off its income.

Some programmes, notably Aids, have managed to continue to grow, because of the increase in funds given by donor countries for specific projects. For 1992 and 1993 together, "extra" contributions amounted to $999m, a third more than the core budget; 20 years ago such contributions were only a quarter of its size.

While the new funds are welcome, the trend has led to accusations from some of the 182 member countries that donor countries are "hijacking" the WHO by giving money only where they are assured of control, and that its priorities are increasingly selected by lobby groups in developed countries.

The Aids prevention and testing programme attracts much of the criticism as it is now the largest single programme and one of the largest in the UN, with an annual budget of about $80m and a worldwide staff of 450. The US, which has shown vigorous support, finds about a quarter of the funds.

Dr Michael Merson, director of the Aids programme, is adamant that its size is justified. "I don't know of any other disease that affects young and middle-aged adults, is 100 per cent fatal, and can penetrate 30 per cent of some populations – I think it's a wise investment to put in this kind of money."

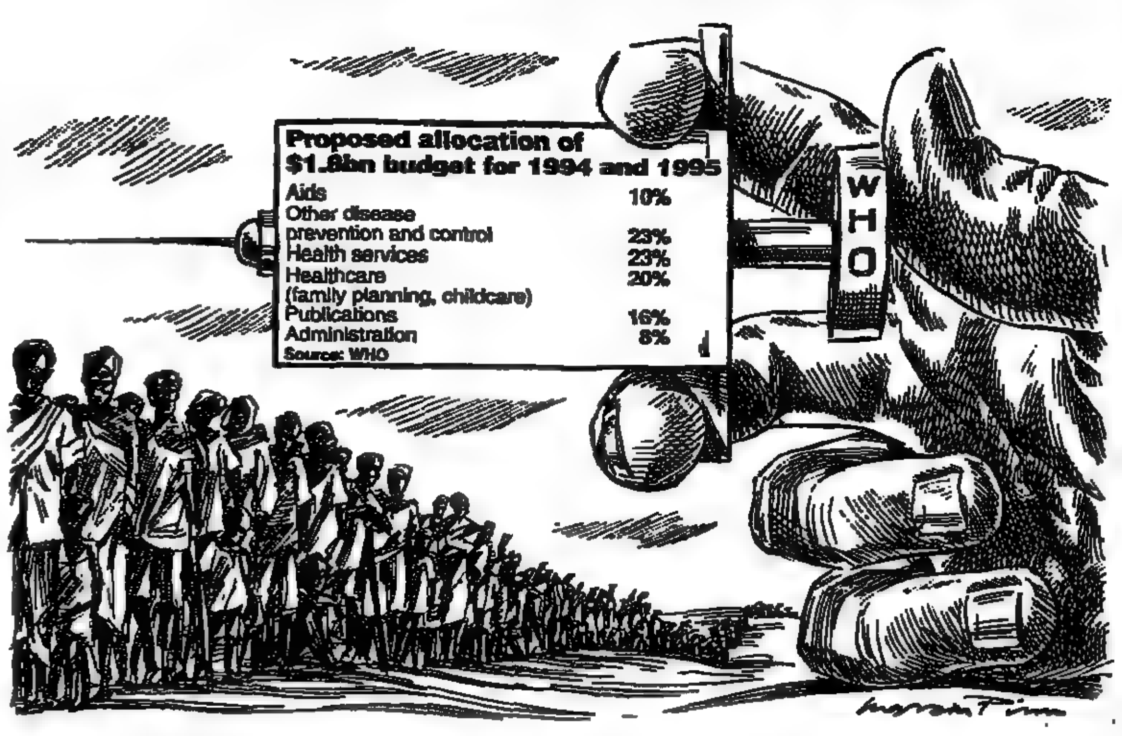
In contrast, the WHO's research into "human reproduction", which includes some of its work on contraception, gets only about a quarter of the amount provided for Aids. That is partly because in the past the US has not contributed to work involving abortion, even though the projected doubling of the world's population to 10bn in the next 50 years will jeopardise standards of health in many countries.

However, Dr Paul van Look, head of the reproduction programme, says that lack of money has not been a problem. He says he is pleased with achievements such as persuading the Chinese government to distribute more efficient copper intra-uterine devices instead of steel ones to reduce the number of unwanted pregnancies.

In light of the increasing strains and problems of defining the WHO's role, the anxiety among member countries and staff about who runs the organisation is understandable. Some of the antagonism over the election arose simply from a clash of styles; Mr Nakajima's cautious bureaucratic approach clearly jars with the WHO's rangy, shirt-sleeved doctors who itch to leave Geneva for the villages of Africa and Asia. But he also lacks vision at a time when many WHO staff feel they need a charismatic leader to articulate the organisation's ideals to the outside world. That sort of role appears to make him uncomfortable. He says: "Of course I could talk about leprosy or polio, but my priorities for the next five years are streamlining the budget and improving internal co-ordination."

There seems some justification, too, for his critics' accusations of poor communication. Although he speaks English, the meaning behind phrases such as "the priority of structure" or "paradigms of health-care" can be elusive.

The countries which voted for him may be right in calculating that the Japanese financial contributions to the WHO will grow. But Dr Nakajima's re-election may nonetheless prove to be a source of recurring friction within the WHO at a time when it faces its greatest external challenges.




Proposed allocation of $1.8bn budget for 1994 and 1995

| | |
|---|---|
| Aids | 10% |
| Other disease prevention and control | 23% |
| Health services | 23% |
| Healthcare (family planning, childcare) | 20% |
| Publications | 16% |
| Administration | 8% |

Source: WHO

# Power must return to the provinces

PERSONAL VIEW

Britain needs strong, stable local government now more than at any time in recent years. Few aspects of modern British politics and administration have been more wasteful of public money and time than the seemingly endless disputes which have taken place between Whitehall and town halls.

It is time for these disputes to end and to establish a new partnership between central and local government. While central government will always be the stronger partner, a reasonable recognition of the practical limits of its power and even more of its perspicacity is needed. Then we shall be able to make better headway in facing up to the country's social and economic problems.

The government is learning this lesson, yet it continues to propose far-reaching changes in the powers and responsibilities of local government.

Indeed, Britain is now close to a situation in which Whitehall takes decisions on relatively small matters affecting local people and communities. This is without it being able to place the issues in a local context, and it risks increasing people's alienation from the political system.

My case for local government has four elements.

The first is the most nebulous but the most important. Is it possible to imagine a healthy democracy at the level of the national government without there being a sound foundation in some system of local government?

A healthy democracy rests not just upon a national parliament but needs vigorous political debate locally; the opportunity for citizens to participate in meaningful decisions affecting their communities; a means for communities to balance conflicting interests locally rather than needing to refer to the central authority; and a proper system of local accountability for financial management and propriety.

Too often local democracy has been replaced by appointed bodies, answerable only to the centre. And I know from personal experience that the power and influence of an appointee are much less than that of a person who has been elected to a position, however flawed the process of election may be.

Second, by spreading decision-makers we minimise the effects of any errors in public policy. We have the opportunity to experiment, perhaps to take some risks without committing the whole body politic to a particular course of action.

**Democracy rests not just upon a national parliament but needs vigorous political debate locally**

It may well prove better to organise the provision of health, education or housing services in a new way. But what if it is not? By concentrating so much power at the centre we risk getting things spectacularly wrong and fail to allow for the testing and evaluation of new policy initiatives.

Local government is also of continuing importance to Britain's economy. It employs 2.8m people and spends £80bn a year. It provides the necessary social and physical infrastructure to our economic life. A national partnership would allow central government time to concentrate upon national concerns with corresponding benefit to public policy.

Third, a better partnership could in several ways save public expenditure. One would be by eliminating over time many of the organisations that have grown or been newly established in recent years to take over in whole or in part functions which were once the preserve of local authorities.

Finally, the lessons of a comparative study of Britain's main competitor nations ought to be heeded. Each starts from a different position in the relative powers of its central and regional or local government. But none of our European partners is significantly reducing the power of local authorities. Nor does there appear to be so many disputes with local authorities, nor proposals to take over local powers and services without consultation with local government.

The new democracies in eastern Europe are busy establishing vibrant local and regional governments. Can all these countries really be wrong while Britain is right? Recent history strongly suggests otherwise.

Britain's local government is not perfect. By its very nature some authorities will manage their affairs better than others. But local government has gone a long way in recent years towards putting its own house in order. Westminster and Whitehall need to recognise this and be prepared to return some of the real power lost by local communities in recent years.

If the principle of "subsidiarity" is right for Europe, why is it not also right for Britain?

**Martin Easteal**

*The author is chief executive of the Local Government Commission for England, which is reviewing local government structure*

# OBSERVER

## Hot seats and musical chairs

■ What should be a routine game of musical chairs at the European Commission, following the recent reshuffle of commissioners, is starting to become rather fun. It seems that the Germans are having second thoughts about how they want to play the "name-your-director-general" part of the game.

Each member state gets to fill a chair. The Germans had been expected to use Dieter Frisch's departure from the EC development policy directorate – he couldn't get on with his prickly Spanish commissioner Manuel Marin – to appoint its own man as DG in charge of the new common security and foreign policy division. Gunter Burghardt, Jacques Delors' highly regarded foreign policy adviser, seems to have been under the impression that the job was his for the asking.

However, the latest word is that the Germans now have their eye on a different DG post, the newly created job of overseeing the internal market. That would disappoint both Burghardt and the British, who want the job for John Mogg, Sir Leon Brittan's private secretary during the Westland affair and now deputy DG of the industry directorate.

Bonn's leading candidate is Johannes Beseler, head of the Commission's anti-dumping division. He would be a distinctly odd choice. A talented empire-builder, Beseler hardly ranks as an economic liberal. Under his aegis, anti-dumping has developed into the EC's most powerful protectionist weapon, which critics say has often been used to shelter uncompetitive producers at the expense of consumers. Surely that's not what the internal market is supposed to be about?

## Breakdown

■ The London-based Institute of Quality Assurance is always banging on about Total Quality Management – or TQM to its disciples. Strange therefore that a review copy of "Quality 2000 – Management for Success", just published for the Institute (at £40 plus post and packaging), arrived with its hardback cover on back-to-front and upside down.

Could this be a comment on the state of British management theory by its Hong Kong-based printer?

## Standard fare

■ Imitation may be the sincerest form of flattery but timing is important, too. No sooner had the the plongeurs washed up on the last Friday afternoon of the FT's Lunch for a Fiver fortnight, than representatives from London's Evening Standard were ringing restaurateurs to see if they were interested in their proposed Dinner for a Tenner during April.

Although the FT scheme was described by Brian Clivaz, general manager of Simpsons-in-the-Strand, as "the most successful restaurant promotion ever", his fellow restaurateurs are also aware that April usually heralds an upturn in trade. Surprising if there were many takers.


'I'm in industry – I'm a receiver'

## Official

■ Whitehall's war against the English language continues. The Office of Public Service and Science in the Cabinet Office has announced that William Waldegrave "is tasked by the prime minister, with identifying areas of excessive secrecy in government and to carry forward the moves already under way across government towards greater openness". Perhaps it's time for a discreet silence on educational standards.

## Fresh-faced

■ With an eye on the UK Budget, now less than six weeks away, the BBC has finally finished fine-tuning its economics team.

Gerry Baker, 30, and with a first in PPE from Oxford, has been hoiked out of Panorama, where he was a producer, to take over as economics correspondent from Steve Levinson, 44, who has defected to Channel 4 news. Levinson, an old Press Association hand, did a lot to improve the Beeb's economic coverage after Daniel Jeffreys quit.

However, the 1990 arrival of Peter Jay, well-known economic guru and former ambassador to Washington, meant that Levinson had to move if he wanted to be more than number two. Another casualty of Jay's growing economic empire is Dominick Harrod, 52, son of the late Sir Roy Harrod. He's been economics editor of BBC radio since 1979 and leaves next month.

Bimedia types, who can flit effortlessly between radio and TV, are all the rage at the Beeb currently and, as an old wireless man, Harrod seemed increasingly sidelined. What's left of his empire will now fall into Jay's hands.

By contrast, Baker seems to have all the right connections. He's no stranger to BBC director-general John Birt, having started his TV career on LWT's Weekend World, and also gets on well with Jay. He produced Jay's recent documentary about Bill Clinton during the making of which the Beeb's 56-year-old economic guru is reported to have sampled his first McDonald's hamburger.

## Daf's death notice

■ Moved by the plight of his compatriot company, a Daf-driving Dutch haulier decided to do his bit by calling on customers to continue buying trucks from Daf. So Peter Stoof, general director of Breda Transport, took out an ad in the Algemeen Dagblad: "Let your national feelings speak if you are about to invest in new material!" he urged fellow truckers.

Unfortunately, the newspaper placed the ad at the bottom of the deaths column.

## Spouse appeal

■ Does Hillary Clinton actually like the saxophone? In Observer's experience, where one half of a couple is a saxophile, the other is a saxophobe.

# FINANCIAL TIMES

Thursday February 4 1993




US-French joint venture will sell systems for wide area data networks

## Alcatel and Sprint in data link

**By William Dawkins in Paris**

ALCATEL of France, the world's leading supplier of telecommunications equipment, and Sprint, the third largest US long-distance telephone company, have agreed to form a $300m turnover joint venture in data communications systems.

The new company, Alcatel Data Networks, will sell equipment and systems to large public and private data communications networks, such as France Télécom's Transpac, already among the 300 network operators that form the partners' customer base. Other customers include telecommunications carriers, service providers, state agencies, airlines and railways.

This will be among the top two companies in the world in the specialised but fast-growing field of wide area data networks, or data communications between separate sites, said Mr Jozef Cornu, the Alcatel vice-president responsible.

It will have an estimated 25 per cent world market share, in competition against the data communications divisions of Northern Telecom of Canada, Ericsson of Sweden and Germany's Siemens.

The European market for this kind of equipment is worth Ecu2.3bn ($2.8bn) a year in Europe and growing at 20 per cent annually, said Mr Cornu.

Alcatel Data Networks, based in Paris, will be 51 per cent controlled by Alcatel, which is providing the chairman, Mr Pierre Guichet, and 49 per cent held by Sprint, but it will be jointly managed.

Sprint is expected to provide about $180m of sales in the first year, with the remaining $120m from Alcatel. It will employ 1,000 people, 700 from Sprint and 300 from Alcatel, drawn from the US partner's network systems department and the equivalent branch on the French side.

The group will distribute each partner's products, and provide both companies with the complete range for their own distribution.

They will also co-operate on the introduction of equipment based on so-called asynchronous transfer mode, a way of speeding up transmission of pictures, voice and data along shared lines.

## Germany halts new defence spending

### Purchase of DM3bn US high-altitude reconnaissance system cancelled

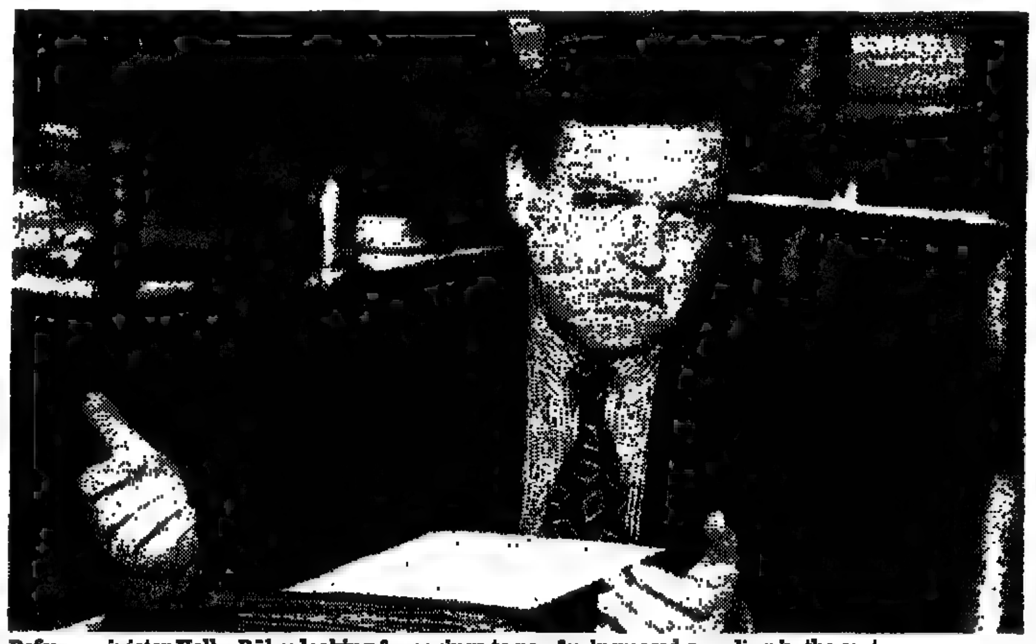
**By Quentin Peel in Bonn**

MR VOLKER RUEHE, the German defence minister, yesterday announced a standstill on all new defence contracts, and the cancellation of plans to buy a DM3bn ($1.83bn) high-altitude US electronic reconnaissance system, as part of a total review of defence spending.

He told the defence committee of the German Bundestag, the lower house of the parliament, that he had ordered the review, to be completed by the end of March or early April, in an effort to find substantial further savings in the defence budget. Cuts of DM860m have to be made this year, and of DM700m a year from 1994 to 1996, to help pay for increased spending in east Germany.

The minister said no contracts would be exempted from the spending review, including that for the redesigned European Fighter Aircraft, being built jointly with the UK, Italy and Spain.

The drastic move to freeze all contracts, which will also affect any existing spending plans containing review clauses, will endanger thousands of jobs in the German defence industry, according to an official of IG Metall, the engineering workers' union. He called on the government to produce a coherent concept for the conversion of defence production into civilian manufacture.



Defence minister Volke Rühe: looking for savings to pay for increased spending in the east

The cancellation of plans to buy the so-called Lapas aerial reconnaissance system, with some DM800m already spent on its development, is likely to cause a political backlash in the US. The electronic system is manufactured by E-Systems, of Greenville, Texas, while the high-altitude aircraft designed to carry it was being produced by a German company, Grob Luft und Raumfahrt, in Bavaria.

Signature of the government-to-government contract for the system was abruptly called off by Mr Rühe last month when it emerged that allegations of possible corruption were under investigation by the Bonn state prosecutor's office.

Mr Max Streibl, prime minister of Bavaria, a former inspector of the Luftwaffe and two senior officials in the arms procurement division of the defence ministry have all been accused of taking free holidays at the expense of the Bavarian aircraft manufacturer.

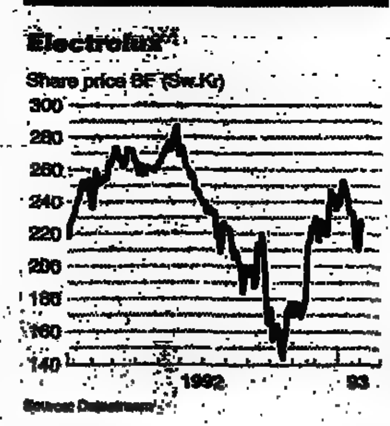
Mr Rühe's move to freeze all new defence spending, and cancel the Lapas contract entirely, may for a while divert political attention from the charges.

Mr Rühe told the defence committee: "We can no longer afford to take special account of domestic, or regional political, or economic factors." Reduction in the personnel of the Bundeswehr would take longer to have a significant effect on budget spending, and therefore further cuts in equipment contracts must be instituted.

THE LEX COLUMN

## Currencies under fire

**FT-SE Index: 2873.8 (+39.4)**




The equity market obviously enjoys a scare on the currency front. Yesterday's 39 point gain in London owed something both to the weakness of sterling itself and to the strains which have resurfaced in the ERM. The former, though, carries a degree of risk. A weaker pound may help produce some export-led growth but yesterday morning provided a cautionary reminder that sterling's fall could easily run out of control, forcing the authorities to back away prematurely from their easy money policy. Although the UK has left the ERM, its position would be more secure if tensions within the system forced a cut in German interest rates. The continental economic outlook would improve, creating brighter export prospects. Pressure on sterling would abate, and with it the inflationary threat from unilateral depreciation.

From this perspective, currency developments in Europe yesterday were good and bad news. The pressure on the Danish krone is clearly serious. Like Ireland before it, Denmark is suffering from a severe loss of competitiveness against its main trading partners. A belief that this could so undermine the system that the Bundesbank would be forced to cut rates prompted sharp gains on the Paris and Frankfurt equity markets. The bad news, for those looking for lower rates, is that it may take some time for the situation to become critical. Pressure on the French franc is not yet severe enough to warrant action by the Bundesbank at today's council meeting – especially since it has been signalling continuing dissatisfaction with events on the domestic front.

Lower short-term rates in Europe would also help channel overseas flows into the UK gilt market, reducing the funding pressure on domestic institutions. There were tentative signs yesterday that sterling's weakness had prompted a flicker of foreign interest in gilts, but nothing like the flood required to cover next year's deficit. One must not exaggerate. A decisive shift in German policy, if it came, would not be a panacea for the UK. But its problems would look a lot less daunting than they do at present.

### Electrolux

As Europe's largest manufacturer of fridges and washing machines, Electrolux is a sensitive barometer of consumer confidence across the continent. Judging by yesterday's annual results, Europe's shoppers are a pretty dispirited bunch. Demand was especially weak in the Nordic countries and Spain. Germany remained resilient but has now begun to soften. There is no sign of improvement in the UK.

This bleak outlook prompted Electrolux to halve its dividend after persevering for two years with an uncovered pay-out. Its shares fell 6 per cent as a result. The news struck an ominous note for other Swedish industrial groups at the start of their reporting season. Dividend cuts from other groups, such as SKF and Stora, are now taken as read.

Electrolux can do little to improve its lot. It has already extensively rationalised its operations and cut its workforce by 10 per cent. Its fortunes depend upon a pick-up in demand. The one bright spot is the US, but Electrolux has a comparatively small share of that market and is burdened by expensive dollar borrowings. The better corporate news from Sweden will come from the likes of Asea, Ericsson and Astra, which operate in more resilient markets and may benefit more from the krona's devaluation.

### Waste Management

European investors have always been wary of Waste Management International. The flotation of a 20 per cent stake last April was over-subscribed, but US institutions took more than their fair share. The westward drift of the share register has been evident ever since. Despite yesterday's impressive full year figures, investors might be forgiven for being disoriented by the whirl of acquisitions. The suspicion remains that WMI will be hard pressed to maintain its rate of growth.

In theory, the long-term investment argument in favour of waste management is compelling. Privatisation of waste collection and disposal shows no sign of abating. Tighter regulation by governments should work to the advantage of the bigger and better-capitalised operators. On that basis, a 50 per cent rise in pre-tax profits will doubtless please the company's admirers, but they still need stout hearts.

Although margins widened again, the company admits the process can only be taken so far. Customers may also be less willing to accept price rises this year as continental Europe moves into recession. That suggests the acquisition programme will have to accelerate from the 25 deals completed last year. Thanks to a rich parent and high multiple, that can probably be financed without undue reliance on bank debt, but there is clearly a risk of Waste Management buying some rubbish. In a litigious and uninsurable business like waste management, mistakes can be costly. Since WMI pays no dividend, the shares will look all the more exposed if growth prospects are called into serious doubt.

### Sterling bonds

The bandwagon theory that interest rates are heading lower is gaining momentum. Yesterday's spate of reverse floating rate notes in the Eurobond market is an outright bet on easier money to come. If short rates actually rise the value of the bonds will be quickly eroded. A week is a long time in the bond market; only a few days ago investment bankers were touting collared FRNs. These offered protection against falling interest rates and some gain if the government is forced to tighten the monetary belt. Whatever the protestations of the prime minister, the bond market now senses a determination to move rates lower.

Even so, overseas investors who bought yesterday's offerings were taking an optimistic view of both interest rates and the exchange rate. Sterling stabilised yesterday. However, without some help from Germany, it is still unclear whether Mr Major can engineer a further large cut in base rates without precipitating a full-blooded sterling crisis. Buyers of reverse FRNs could eventually find themselves looking at a currency gain, only at the expense of higher interest rates.

## Rabin reserves right to more expulsions

**By Hugh Carnegy in Jerusalem**

MR Yitzhak Rabin, the Israeli prime minister, insisted yesterday that Israel retained the right to carry out future mass expulsions of Palestinians and implied that the US had condoned the deportation in December of 400 alleged Islamic militants.

His remarks, during a defiant speech to parliament, followed Palestinian rejection of a compromise offer by Israel on the expulsions. They seem certain to further complicate prospects of resuming Middle East peace talks which the US wants to reconvene within weeks.

His offer to bring home about 100 of the 400 Palestinian deportees stranded in Lebanon has already been rejected by Palestinians who insist they will not return to the negotiating table until every deportee is brought back.

Mr Warren Christopher, US secretary of state, is to visit the region this month to try to achieve an early resumption of the peace talks, Mr Amr Moussa, Egypt's foreign minister, said in Cairo yesterday.

Responding to criticism from rightwing opposition members of parliament of his compromise on the expulsions, Mr Rabin said: "The principle remains of our ability to remove for a limited time hundreds of inciters, leaders, organisers. You never succeeded in doing that."

Washington's acceptance of the compromise offer "created a groundwork of understanding for a subject that America in principle opposed and opposes. But it accepted this reality – and in unprecedented dimensions," he said.

The Clinton administration said Monday's offer by Israel to repatriate a quarter of the deportees immediately and shorten to more than a year the exile of the remainder removed the need for any further action by the United Nations Security Council to enforce resolution 799 calling for the immediate return of them all.

But Mr Rabin's remarks are certain to stiffen the Palestine Liberation Organisation's insistence that only full compliance with resolution 799 will suffice to restart peace talks.

One of the main concerns of both the PLO and Hamas, the Islamic fundamentalist organisation to which most deportees allegedly belong, is that the expulsions do not create a precedent for future deportations.

Palestinian leaders in Jerusalem yesterday summoned western diplomats to warn that they would not accept any early call to resume peace negotiations.

"We told them that if they issue invitations to the talks, they know our participation is suspended. We cannot continue the peace process before all the Palestinians return," said Mr Saeb Erekat, a senior delegate to the talks.

Mr Shimon Peres, foreign minister, acknowledged that continuing the talks with Syria, Lebanon and Jordan without the Palestinians was unrealistic.

## Sterling hits new lows in heavy trade

**Continued from Page 1**

interest rates continued to flourish in UK markets. Equities moved higher, with the FT-SE 100 index gaining 1.39 per cent to close at a record of 2,873.8, up 39.4.

Economists in the City of London accused the government of pursuing a policy of "benign neglect" and "glorious indifference" towards the pound. But officials insisted that the government was monitoring the exchange rate and giving it full weight in assessing monetary conditions.

Mr Lamont discussed the pound's fall with Mr Major at their regular weekly meeting and also met Mr Robin Leigh-Pemberton, governor of the Bank of England, for their monthly assessment of UK monetary conditions. In discussions with aides, Mr Lamont again made clear that he had no plans to cut interest rates before the budget on March 16. The latest indications are that he is also unlikely to cut rates in the wake of the budget.

In its latest monetary report, which was prepared for the chancellor's meeting with Mr Leigh-Pemberton, the Treasury noted that sterling had fallen by 5.5 per cent against its trade weighted index since the middle of January. It said that so far there were "few obvious signs of sterling's depreciation affecting producer output prices or retail prices, apart from petrol".

However, the report was completed on Tuesday, before yesterday's slide in sterling. The pound touched new lows of DM2.3550 and Y177.35 in early morning trading in London. For the first time ever, the pound was worth less than FFr8.

Sterling closed in London at DM2.3600, down 1½ pfennigs on the day, and at FFr8.003. It also fell to a 1993 low of $1.4255 against a strong dollar before closing in London at $1.4340, down more than a cent on the day. At one point, sterling fell to a record low of 76.5 on the index.

Dealers and economists were divided on whether the pound would extend its fall. Mr Keith Skeoch, chief economist of James Capel, said steady interest rates on the money markets indicated that "it is not a classic sterling crisis".

However, Mr Avinash Persaud, a currency economist at UBS Philips & Drew, said: "There is a risk of a vertical fall for sterling which would have a very serious impact on the gilts market and undermine financial markets in London in general." Mr Mark Austin, a Treasury economist at Midland Global Markets, said selling of the pound had been "sporadic" rather than in a steady stream. "I would be surprised to see the pound go down from here in the near term".

## Fokker shares drop sharply

**Continued from Page 1**

The capital required is believed to be around Fl 400m.

The Dutch government has indicated its willingness in principle to a change, but Dasa's requirements may prove too onerous. Dasa is believed to be threatening to walk away from the deal if it is not restructured.

Dasa did not have access to all Fokker's accounts when it signed the original agreement. It is thought to have been particularly concerned about Fokker's backlog of unsold aircraft and worried about the general deterioration in the aircraft market.

Dasa believes Fokker's decision to seek the financing confirms its own assessment of mounting financial difficulties. But Fokker said the request would have been made irrespective of the outcome of the negotiations with Dasa.

**World Weather**

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 14 | 57 |
| Algiers | F | 17 | 63 |
| Amsterdam | Dr | 5 | 41 |
| Athens | C | 12 | 54 |
| [illegible] | S | 21 | 70 |
| Bangkok | F | 31 | 88 |
| Barcelona | S | 13 | 55 |
| Beijing | S | 8 | 46 |
| Beirut | R | 6 | 43 |
| Belfast | C | 8 | 46 |
| Belgrade | S | 1 | 34 |
| Berlin | C | 0 | 32 |
| Biarritz | S | 11 | 52 |
| Bombay | S | 32 | 90 |
| Bordeaux | S | 8 | 46 |
| Boulogne | C | 4 | 39 |
| Brussels | Fg | 0 | 32 |
| Budapest | S | [illegible] | 37 |
| Buenos Aires | F | 27 | 80 |
| Cairo | F | 10 | 50 |
| Cape Town | S | [illegible] | 70 |
| Caracas | [illegible] | 26 | 79 |
| Casablanca † | S | 16 | 61 |
| Chicago † | S | [illegible] | 27 |
| Cologne | F | 0 | 32 |
| Copenhagen | F | 5 | 41 |
| Corfu | S | 13 | 55 |
| Dallas † | R | 11 | 52 |
| Dublin | S | 10 | 50 |
| Dubrovnik | | – | – |
| Edinburgh | C | 10 | 50 |
| Faro | S | 15 | 59 |
| Florence | [illegible] | 16 | 61 |
| Frankfurt | S | -1 | 30 |
| Geneva | C | 1 | 34 |
| Gibraltar | [illegible] | 11 | 52 |
| Glasgow | Dr | 9 | 48 |
| Helsinki | [illegible] | [illegible] | 37 |
| Hong Kong | S | 20 | 68 |
| Innsbruck | S | 6 | [illegible] |
| Inverness | F | 11 | [illegible] |
| Islamabad | F | 22 | 72 |
| Istanbul | Dr | 3 | 37 |
| Jakarta | R | 29 | 84 |
| Johannesburg | F | 26 | 79 |
| Lisbon | S | 12 | [illegible] |
| London | [illegible] | 5 | 41 |
| Los Angeles † | C | 13 | 55 |
| Luxembourg | S | 4 | 39 |
| Madeira | S | 17 | 63 |
| Madrid | S | 2 | 36 |
| Majorca | F | 14 | 57 |
| Malaga | [illegible] | [illegible] | 55 |
| Malta | F | 13 | 55 |
| Manila | C | 30 | 86 |
| Melbourne | S | 36 | 97 |
| Mexico City | [illegible] | 24 | 75 |
| Miami † | S | [illegible] | 64 |
| Milan | S | 11 | 52 |
| Montreal † | [illegible] | [illegible] | [illegible] |
| Moscow | C | -3 | 27 |
| Munich | C | -3 | 27 |
| Nairobi | | – | – |
| Naples | S | 15 | 59 |
| Nassau | [illegible] | 24 | 75 |
| New Delhi | S | 21 | 70 |
| New York † | [illegible] | -2 | 28 |
| Nice | S | 15 | 59 |
| Nicosia | S | 11 | 52 |
| Oporto | S | 14 | 57 |
| Oslo | F | 9 | 48 |
| Paris | C | 1 | 34 |
| Prague | S | -5 | 23 |
| Reykjavik | C | -3 | 27 |
| Rhodes | S | 11 | 52 |
| Rio d'Janeiro | F | 38 | 100 |
| Rome | S | 13 | 55 |
| Salzburg | C | -5 | 23 |
| S'Francisco † | F | 9 | 48 |
| Seoul | [illegible] | 5 | 41 |
| Singapore | [illegible] | 30 | 86 |
| Stockholm | F | 6 | 43 |
| Strasbourg | C | -2 | 28 |
| Sydney | F | 29 | 84 |
| Taipei | F | 21 | [illegible] |
| Tangier | C | 11 | 52 |
| Tel Aviv | R | 6 | 43 |
| Tenerife | F | 19 | 66 |
| Tokyo | S | 10 | 50 |
| Toronto † | C | -2 | 28 |
| Tunis | C | 15 | 59 |
| Valencia | F | 11 | 52 |
| [illegible] | S | [illegible] | 57 |
| Vienna | S | 2 | 36 |
| [illegible] | Fg | -3 | 27 |
| Washington † | S | -4 | 25 |
| Zurich | [illegible] | -1 | 30 |

Temperatures at midday yesterday
† [illegible]
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
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## INSIDE

### BfG Bank falls on rising provisions

BfG Bank, the German bank majority-owned by Crédit Lyonnais, incurred a net loss of DM1.1bn ($690m) last year as a result of a significant rise in provisions against problem country risks. Group operating profits rose by around DM100m from DM144m and BfG is seeking a further increase in profits this year. Page 16

### Italians return to loans market

Italian borrowers are returning to the international syndicated loans market after several months' absence. A handful of credit institutions have tapped the loans market, but bankers expect more institutions and some corporate names to seek international syndicated credits over the next six months because of relatively heavy borrowing needs. Page 19

### No peace for Westpac

Only the chairman of Westpac Banking Corporation, the troubled Australian bank, can be grilled by shareholders at its annual meeting, a convention that will be welcomed by Mr Robert Jose, its new chief executive. He knows things are likely to get worse before they get better. Page 17

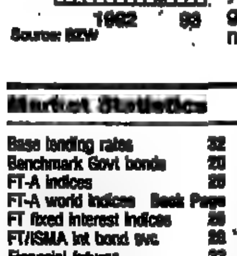
### Welcome for new year's Yves


The opulent Salon Imperial at the Inter-Continental Hotel, Paris, resounded with applause last month when Mr Yves Saint-Laurent, one of France's most famous fashion designers, mounted the stage at the end of his haute couture show. It was his last as an independent designer before YSL, his company, merges with Elf-Sanofi, the pharmaceuticals-cosmetics arm of Elf-Aquitaine, the oil group. Page 19

### What goes down can go up

Investors keen to protect their income following the recent dip in UK base rates can now buy sterling-denominated notes whose yield rises as rates fall. Page 20

### Hard ride in Argentina




Source: BZW

Argentina was never going to be a smooth ride, but even hard bitten players of developing world equity markets have had a bumpy ride in recent months. A 48 per cent fall led to a recovery, which petered out. But this may be the year Buenos Aires starts growing into a mature market. Back Page

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | Bouygues | 524 | + | 24 |
| **Rises** | | | | Cogif | 315 | + | [illegible] |
| Bil & Berger | 864 | + | 34 | Peugeot | [illegible] | + | 18 |
| Douglas | 480 | + | 10 | Schneider | 619 | + | 17 |
| Heideib Zem | 956 | + | 32 | **Falls** | | | |
| Holzmann Ph | 888 | + | 37 | ESF | 661 | – | [illegible] |
| Rheinelektra | 850 | + | 13 | **TOKYO (Yen)** | | | |
| **Falls** | | | | **Rises** | | | |
| Goldschmidt | 650 | – | 60 | Jidosha Buhin | 268 | + | 33 |
| **NEW YORK ($)** | | | | Nichibei Fuji | 190 | + | 20 |
| **Rises** | | | | Nippon Lace | 370 | + | 55 |
| Jiffy Jumbos | 8¾ | + | 1⅞ | Sumitomo Spl | [illegible] | + | 100 |
| Minnesota Min | 100⅞ | + | 2 | Towa Mecca | [illegible] | + | 36 |
| Penney (JC) | 77 | + | 3⅛ | **Falls** | | | |
| Salomon | 39¼ | + | 2¼ | Showa Mining | [illegible] | – | 23 |
| **PARIS (FFr)** | | | | | | | |
| **Rises** | | | | | | | |
| Air Liquide | 759 | + | 14 | | | | |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | Scotch! | 192 | + | 11 |
| **Rises** | | | | [illegible] | 137 | + | 12 |
| Allen | 101 | + | 6 | Sterco | 80 | + | 12 |
| Allied London | 56 | + | 9 | TSB | 177 | + | 6 |
| Aviva Pet | 55 | + | 7 | Tadpole Tech | 326 | + | 36 |
| Barclays | 459 | + | 20 | Trinity Hldgs | [illegible] | + | 11 |
| Bluebird Toys | 136 | + | 7 | **Falls** | | | |
| BritAerospace | 287 | + | 13 | Alexon | 83 | – | 5 |
| Dowflex | 141 | + | 17 | Baldwin | 88 | – | 10 |
| ERF | 231 | + | 26 | Crown Eyeglass | 115 | – | 15 |
| Henderson Adm | 970 | + | 52 | Osprey Comms | 18 | – | 3½ |
| M & G Group | 732 | + | 29 | SmKlBeechamA | 471 | – | 11 |
| MFI Furniture | 135 | + | 8 | | | | |
| Ocean Wilsons | 48 | + | 6 | | | | |
| SEET | 48 | + | 9 | | | | |

# Gloomy Electrolux cuts dividend by half

By Christopher Brown-Humes in Stockholm

ELECTROLUX, one of the world's leading white goods manufacturers, began Sweden's corporate reporting season on a gloomy note yesterday when it announced it was halving its 1992 dividend to SKr6.25 a share.

The move, which is almost certain to be followed by other hard-pressed Swedish companies, came in spite of virtually unchanged profits of SKr1bn ($136m) for the year.

The company said it was making the cut because of the uncertain market outlook, particularly in Europe, and worse than expected conditions over the past year.

Mr Anders Scharp, chairman, said: "We have had three weak years, when we held the dividend, and we cannot be optimistic about the coming year. Although we are expecting a better year in the US, in Europe we are faced with declining demand in some countries, currency changes, high real interest rates, and political unrest."

It is the first time the company has cut its dividend in at least 30 years, and takes the payout back to its 1984 level.

Last year profit after financial items slid to SKr1bn from SKr1.03bn as turnover rose to SKr80.4bn from SKr79.0bn. Operating income fell 13 per cent to SKr2.25bn while earnings per share after tax dropped to SKr2.50 from SKr3.20.

Electrolux said income grew in North America but fell in Europe.

Even in the US, market conditions were not as good as anticipated during the second and third quarters. In Europe, the market downturn was particularly acute in the Nordic region and Spain, with the UK market continuing to be weak.

Operating income fell for commercial and household appliances. "We experienced a dramatic drop in demand for food service equipment and commercial cleaning equipment," said Mr Scharp.

The group enjoyed a strong final quarter, thanks mainly to changes in exchange rates. Income after financial items for the three months rose to SKr264m from SKr141m, as sales improved to SKr21.45bn from SKr19.25bn. However, operating income after depreciation fell to SKr360m from SKr470m.

The dividend cut pushed the group's shares down SKr15 to SKr212.

**Maggie Urry** looks at reasons for a possible shortage of equity capital in the UK

# A time for companies to stand up for their rights

ACCORDING to London stock market gossip, there is a flood of rights issues coming. The rise in the market has enticed UK companies to raise new equity capital, to bolster balance sheets, finance recovery or fund acquisitions.

But there are doubts as to how much investors are prepared or able to stump up for new equity. There is concern that the UK government's heavy borrowing programme in the 1993-94 fiscal year will "crowd out" companies and take cash needed by industry for recovery.

Says one senior corporate financier: "My advice to clients is: 'If it's there, grab it'." Another says: "We are advising clients to go early."

One large Scottish institutional investor is gloomy about prospects for issues. He says institutional liquidity levels are low and thinks that by next month these investors' appetites for new equity may already be fading. After that only companies with a particularly good case for raising money will get issues away.

Institutional cash is not the only source of funds for investment in equities and government stocks, but it is the most reliable, as private and overseas investors are more fickle. Although cashflows into institutions have risen in the past couple of years – in spite of pension fund contribution holidays – the demands on cash, especially from the government, have risen more quickly.

In round numbers, NatWest Securities, the stockbroker, estimates institutional cashflow this year will be about £40bn ($60bn). It estimates that net gilt sales in the 1993 calendar year might be £38bn or £39bn. But a further £11bn will be accounted for by equity issues, including rights, the expected ICI demerger issue, flotations and government sales of shares, less cash put back into the market through takeovers. On these numbers supply of capital does not match demand.

This year the crunch could come after April as the government needs to fund the huge public sector deficit in the coming fiscal year.

So far this year three companies have made £100m-plus equity issues: Asda, the superstore operator with a £347m rights; Burton, the fashion retailer with a £161m rights; and Wessex Water with a rights and other funding raising £144.5m.

Numerous others have been named by rumourmongers as likely candidates for an issue,

**On these numbers supply of capital does not match demand**

often because their balance sheets are strained and seem to need an injection of equity. But while the list of potential issuers is long, that of successful issues is likely to be shorter.

Both Asda and Burton were able to point to recovery programmes initiated by new management as a justification for raising money. Both had "rescue" rights issues in 1991 – now they are making recovery issues, and were well received.

As well as rumours of more retailers making cash calls, the market can expect rights issues from "traditional manufacturing companies", says one banker.

The insurance sector is also seen as a probable source of issues. These companies can point to a coming cyclical upswing which is well understood by investors.

Investors' patience is likely to be much thinner with companies which want to raise cash to repair balance sheets weakened by reduced profits and asset write-downs. The key may be a change in management. The reaction could be "Why give money to the people who got us into this mess," one banker says.

This may exclude many of the rumoured issuers. While the contracting and construction sector is thought of as needing new equity, many of these companies will find it hard to give investors good reasons for putting up more cash.

Nor are they prepared to contribute to companies' "war chests", although an actual deal at the right price would find sympathy, as Wessex Water's cash call did.

Companies which are already struggling to pay dividends – and perhaps have a problem with surplus advance corporation tax too – are unlikely to find investors receptive to being offered yet more shares which will add to the payout bill.

The good news may be, though, that the corporate sector's need for new equity to repair tattered balance sheets is not as bad as might be expected, according to Mr Michael Hughes, head of Barclays de Zoete Wedd's economics and strategy department.

He says that industrial and commercial companies' flow of funds which moved into deficit in 1986, and reached its worst point in 1990, has been improving as a result of earlier rights issues and efforts to conserve cash such as cost cutting. He is optimistic it could move into surplus in 1993.

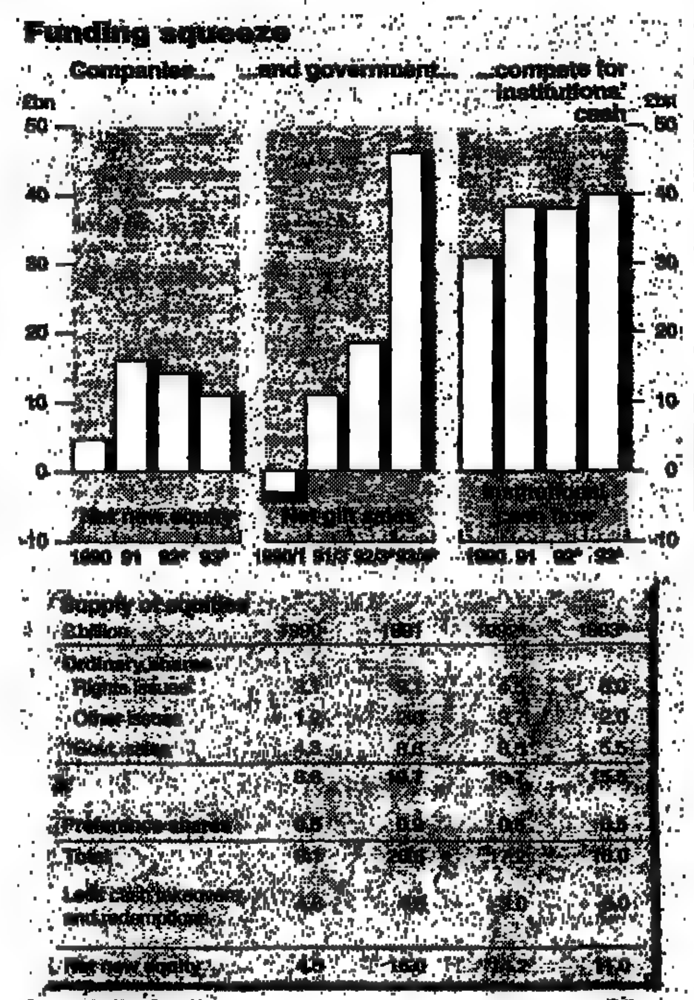
Average balance sheet gearing is a normal 25 per cent, he says, although income gearing has been more of a problem when interest rates were high and profits under pressure.

But, Mr Hughes warns, the cost of equity capital is currently high in spite of the level of the stock market. Dividends are paid out of after-tax profits, but debt is serviced from pre-tax profits. With the market yielding 4.3 per cent and base rates at 6 per cent there is not a lot to choose between debt and equity even on a short-term view. When future inflation is taken into account, equity issued now could turn out expensive.

Companies could look for alternative sources of funds. They might look into fixed-rate borrowings, or raise cash by making disposals. Some could follow Northern Foods, the dairy and foods group, into the convertible market. It obtained long-term debt at 6.75 per cent, which can convert into shares at an 18 per cent premium.

There could also be a rash of so-called "5 per cent placings", the maximum allowed without formal clawback arrangements and done at much narrower discounts than rights issues.

Triplex seeks £17.3m, Page 23




Source: NatWest Securities

# GTE sells international lighting division in management buy-out

By Frances Williams in Geneva

GTE of the US has sold its GTE Sylvania International lighting operations in a management buy-out. The new company, Sylvania Lighting International, inherits a business ranked third in European lighting with a worldwide turnover last year of $650m.

Terms of the deal, completed last Friday, have not been disclosed but GTE said it was raising about $1.1bn from the buy-out and the separate sale of its North American lighting activities to Osram, a subsidiary of Siemens. The buy-out, covering operations in Europe, Asia Pacific, Latin America and Australia, was financed by an investment consortium led by Citicorp Venture Capital.

In Europe, which accounts for 80 per cent of sales, Sylvania Lighting International produces and markets lamps and fixtures under the brand names Claude, Concord, Le Dauphin, Linolite, Lumiance and Sylvania. It claims an average market share of just over 10 per cent, behind Osram and the market leader Philips, but is more strongly placed in individual country markets such as France.

Mr Norman Scoular, Sylvania's chief executive, formerly chief executive of FKI, the UK-based electrical engineering group, hopes to improve the company's indifferent performance by better use of technological resources and more streamlined, decentralised management.

To that end, Sylvania has a technological assistance pact with its North American counterpart, giving it unlimited access to the product and process technology of that group and of Osram, the new owner.

Mr Scoular said yesterday the Geneva-based company, which has 6,300 employees, would be pursuing growth areas within a largely stable market. These included compact fluorescent lighting using thin tube lamps, which are increasingly displacing the traditional incandescent light bulb.

However, a decisive improvement in company sales would have to await next year's hoped-for revival of economic activity in Europe.

# Thames Water in Turkish project

By Angus Foster in London

A CONSORTIUM led by Thames Water has won one of the largest overseas water resources projects to be awarded to a UK water company since privatisation in 1989.

Thames and its Turkish and Japanese partners are expected shortly to sign the implementation agreement for a $700m construction project at Izmit, north-west of Istanbul. Under the build, operate and transfer (BOT) scheme, Thames will manage the water supply system for 15 years.

Mr David Luffrum, group finance director, said the contract was "ideal" for Thames, which has been building up its consultancy and contracting business under its subsidiary PWT Worldwide. "It's the first BOT water project in Turkey and a one-off at this stage, but there could be further opportunities."

Several UK water companies have looked at overseas projects since privatisation, partly to earn non-regulated profits and develop businesses outside their core. Thames has already won several smaller projects in Europe, while North West Water is involved in consortia with design and management contracts in Malaysia and Australia.

The Turkish project includes completion of the Yuvacik dam, where work was halted five years ago after cash shortages. The dam is about one quarter complete and will be linked with two pumping stations and more than 100km of trunk mains. Most of the water supplied will be used in Izmit with the remainder being pumped to Istanbul.

Construction will be undertaken by PWT, which has contracts worth about $290m, and two Turkish construction companies, Gama Endüstri Tesisleri Imalat ve Montaj and Güris Insaat ve Mühendislik.

The consortium shareholders include: Izmit Municipality (30 per cent), Thames (25 per cent), Gama and Guris (25 per cent), Mitsui and Sumitomo of Japan (10 per cent) and others (10 per cent).

The consortium will provide about $115m in equity, with the remainder of the financing due from export credits and commercial banks.

Chase Investment bank is financial adviser to the consortium and expects syndication to be finalised in time for construction to begin in 1993. The project plan assumes operations will begin in 1997.

Mr Luffrum said Thames started discussions with the Turkish side in 1990. "It's higher risk and higher reward than the utility business, but it is what Thames is set up for," he said.

# Salomon shares rise on strong profits

By Patrick Harverson in New York

SALOMON'S share price rose sharply yesterday after the company reported fourth-quarter profits of $143m following a strong showing from its Wall Street securities brokerage Salomon Brothers, which offset heavy losses at its Phibro Energy operations. In the same quarter a year ago, Salomon incurred a net loss of $29m.

The strong final quarter took Salomon's full-year earnings for 1992 to $550m, up from $507m a year earlier. Last year's profits would have been a record $714m, but for the $164m special after-tax charge the company recorded in connection with the 1991 US Treasury auction scandal.

The company's stock rose $2⅛ to $39⅝ at midday in New York.

The markets were particularly impressed by the record operating profits at Salomon Brothers for the final quarter and for the year. The brokerage firm made pre-tax profits of $503m in the fourth quarter – after a $67m charge to cover personnel relocation expenses – and $1.4bn in the full year.

The company said results from proprietary and customer-related trading activities had been especially strong.

The parent group's earnings, however, were again held back by disappointing results from its energy trading and refining operations, which were merged into Salomon at the end of last year as part of a restructuring of the loss-making Phibro Energy unit.

The Phibro Energy division, which covers oil and oil products trading and ship-chartering, incurred a loss of $181m in the fourth quarter and $194m in the year. This included special charges for the withdrawal from certain business lines.

Phibro Energy USA, the oil refinery operation, recorded a loss of $31m in the quarter, taking total pre-tax losses for 1992 to $47m. This reflected, Salomon said, the weak demand for energy products and the narrow margins in the refining business.

Salomon's expenses rose sharply in the fourth quarter and full year to $761m and $2.8bn respectively.

The increases were primarily attributable to a big rise in salary and bonuses at Salomon Brothers and to higher occupancy costs following the consolidation of the firm's New York locations.

# DM1bn loss at BfG due to problem country risks

By David Waller in Frankfurt

BFG BANK, the German bank majority-owned by Crédit Lyonnais of France, made a net loss of DM1.1bn ($681m) last year as a result of a significant increase in provisions against problem-country risks.

At the operating level, the bank raised its group profits by about DM100m from DM144m in 1991.

It is aiming for a further increase in operating profits during the current year, assuming falling interest rates in Germany.

Until the end of last year, BfG was owned by the Aachener und Münchener Beteiligungs insurance group and the BGAG trades-union holding company.

Majority-control was acquired by Crédit Lyonnais, the large state-owned French bank, in a deal that valued BfG at DM2.1bn.

The bank said that it had increased its provisions against doubtful-country debts to 75 per cent from 50 per cent of the total exposure.

It also increased the absolute number of countries covered.

The provisions accounted for DM910m of the DM1.1m net loss, the bank said.

BfG traditionally had strong business links with the eastern bloc, which left it with a high level of bad and doubtful debts.

Shareholders injected DM1bn over 1990 and 1991 to enable the bank to provide against about 50 per cent of questionable debts of DM3.2bn at the end of 1991. The increased provisioning was agreed to as part of the deal with Crédit Lyonnais.

The French bank has injected DM1.2bn into its new German subsidiary in order to bolster its balance sheet.

It said that it had been able to reduce the level of provisioning against domestic loans during the course of the past year.

Without giving any details, it said that trading profits had increased while the level of securities write-offs had declined.

These preliminary details were released in Paris to coincide with the Crédit Lyonnais general meeting to approve the acquisition.

Full details will be published in March.

# Swiss Bank Corp rises 6.6% to SFr805m

By Ian Rodger in Zurich

SWISS Bank Corporation, Switzerland's second-largest bank, has disclosed that parent company net profits in 1992 rose 6.6 per cent to SFr805m, ($551.3m) enabling it to maintain its dividend.

The bank forecast last July that profits would be flat this year because of the unfavourable economic environment and the exceptional costs of absorbing acquisitions.

However, it said fourth-quarter trading revenues were exceptionally good and significant extraordinary gains were made from sales of assets.

Total assets stood at SFr172bn at the end of last year, up from SFr169bn a year earlier.

The bank said it would seek shareholder approval at the annual meeting in April to eliminate its participation certificates, converting them into bearer shares at the rate of one-for-one. It would also seek to split its registered shares two-for-one.

"This will ensure the preponderance of the registered shares in terms of voting, as is required under the Bank Act... as proof of Swiss control," the bank said.

The directors will propose that shareholders have the choice of receiving their dividends in the form of shares as well as cash.

# Sheikh quits Circle K buy-out

By Nikki Tait in New York

SHEIKH Ali al-Khalifa al-Sabah, who as Kuwait's finance minister strongly influenced the activities of the Kuwait Investment Office, has withdrawn from the Investcorp organisation consortium which is attempting to buy and reorganise Circle K, the bankrupt US convenience store chain.

However, the Arizona-based retailer added that Investcorp – an investment organisation with offices in Bahrain, London and New York, and a sizeable shareholder in the likes of Saks Fifth Avenue and Tiffany – had said that it would provide the equity funding. There was no immediate response from the Circle K bondholders, who have been urging a rival reorganisation plan.

Investcorp, via a vehicle called CK Acquisitions, put forward a proposal to buy Circle K, which runs about 2,900 stores in the south-west, for $399.5m. This scheme was opposed by bondholders, who submitted a rival plan.

The bondholders have argued that the CK Acquisitions scheme was jeopardised by the involvement of Sheikh Ali Khalifa in the Investcorp-led consortium.

Their lawyers filed an emergency motion with the bankruptcy court in January, urging more information about the finances of the Sheikh and those of Mr Javier de la Rosa, the Spanish financier. The bondholders seized upon a scandal surrounding investments in Spain by the KIO in the late 1980s. These were managed by Mr de la Rosa.

Sheikh Ali Khalifa, although not directly involved in the KIO's Spanish investments, has been indirectly criticised in Kuwait for allowing the KIO, while he was finance minister, to risk large sums of money in Spain. Sheikh Ali Khalifa and Mr de la Rosa were stockholders in CK, and were reported to be players at Grupo Torras, the lead company in the KIO's Spanish operation.

The statement from Circle K gave no explanation for Sheikh Ali Khalifa's withdrawal from the CK Acquisitions consortium, but said that Investcorp "has satisfied Circle K and the principal creditor constituencies that CK has the financing necessary for the successful completion of the purchase."

"We look forward to confirmation hearings set for April 7 which will signal the end of Circle K's bankruptcy," it said.



# Telus to partner CUC on cable TV in UK

TELUS, the Alberta telecoms utility privatised in 1991, will partner Toronto's CUC Broadcasting in developing cable TV operations in Britain, writes Robert Gibbens in Montreal.

Telus will invest C$126m ($100m) in equity over five years and will provide telephone services.

CUC holds eight franchise areas in the Midlands and South-East but has only recently begun to line up subscribers.

# Queue for a slice of cheese market

## The larger producers are seeking to expand, writes Alice Rawsthorn

LA Vache Qui Rit, the creamy cheese with a chuckling cow on its box, is one of France's most popular cheeses. It is being talked of as a takeover target in the speculation over the future of Bel, its owner.

Bel, which also owns Port Salut and Les Petits Amis, is one of the few large French cheese companies still under family control. Mr Robert Fievet, its chairman and controlling shareholder, is 84 years old.

Besnier, the acquisitive French dairy group, has been buying Bel shares and owns 8.1 per cent of the company. It has made no secret of its hopes of raising its stake further.

However, Besnier is not the only predator in the French cheese industry. Bongrain, another ambitious dairy concern, has made a number of acquisitions and is intent on expansion. Philip Morris, the US group which is a significant player in processed cheese through Kraft, is also eyeing the French market.

"We've already seen a great deal of change in this industry," said Mr Claude Boutineau, joint chairman of Bongrain. "There is still more to come. The only question is how quickly?"

French cheese is an attractive area for investment. The European cheese market slowed in the second half of last year, reflecting the economic squeeze in France and other European countries. However, cheese still has relatively high growth potential in the mature food market.

France has a strong cheese-making tradition and plentiful supplies of milk. The 340 French cheeses tend to be high quality products that are well-placed to benefit from the European trend towards more sophisticated food.

"In the short term, the growth of the cheese market will remain relatively low," said Mr Michael Oertli, European food analyst at UBS Phillips & Drew in London. "But in the long term there is strong growth potential for high-quality French cheeses, particularly in Germany and Spain."

The French cheese industry is polarised between a handful of very large companies – Besnier, Bel, Bongrain – and hundreds of small family companies and co-operatives. The small players are finding it increasingly difficult to operate in the French market, which is dominated by multinational manufacturers, such as Nestlé of Switzerland and France's BSN, and multiple retailers, notably Carrefour and Casino. As a result, there is no shortage of acquisition targets for the large cheese makers.

Bongrain has grown rapidly both inside and outside France, increasing its sales to FFr9.7bn ($1.73bn) from FFr5.95bn in the five years to 1991. Last summer it took a 10 per cent stake in ULN, a troubled co-operative of Normandy dairies, but, because of ULN's fragile finances, was able to secure full management control.

The company is searching for other acquisitions. "We have a strong balance sheet and if suitable opportunities arise, particularly in branded cheeses or interesting areas of technology, we'll take them," said Mr Boutineau.

BESNIER, a co-operative chaired by Mr Michel Besnier, is pursuing a similar strategy. It is one of Europe's largest dairy groups, with annualised sales of FFr22bn. Last year it paid FFr862m for 58 per cent of Roquefort cheese in a deal with Nestlé, the Swiss food group which had acquired the stake as part of its bid for Perrier mineral water. Besnier has since increased its holding to 89 per cent.

Bel is Besnier's latest target. Mr Bernard Aubert, chief executive, said after the recent share-buying exercise that Besnier had "absolutely no ulterior motives" towards Bel, but that it hoped to acquire a "more significant holding". He also envisaged amassing similar stakes in other businesses.

Bongrain and Bel have been able to expand without coming into competition with the multinational manufacturers that dominate other areas of the food market.

Cheese production is a complex process with limited scope for economies of scale. It is also prone to supply problems due to sharp seasonal variations in milk production.

As a result, the general food groups have tended to favour sectors such as processed cheese, rather than finicky French products.

Nestlé chose to sell Roquefort to Besnier (partly to placate the French financial establishment), although it has significant cheese interests in Spain. BSN is a significant force in French *fromage frais*, but its cheese business is bigger in Italy than in its native France.

Bongrain and Besnier may face stiffer competition partly because advances in dairy technology are eroding production problems.

Philip Morris has been suggested as a potential purchaser for Bel. Its interest may well have prompted Besnier to speed its share buying in Bel in order to make sure that it had a blocking stake, in case La Vache Qui Rit does come up for sale.

# Japanese shipbuilder cuts profits forecast

MITSUBISHI Heavy Industries, the Japanese shipbuilder and machinery maker, has cut its pre-tax profit forecast for the year to March by 6.7 per cent to Y140bn ($1.1bn), as a decline in capital spending by Japanese industry has slowed machinery orders, writes Robert Thomson in Tokyo.

Sales for the current year are now forecast at Y2,480bn, about the same as last year and 1 per cent lower than originally forecast. Net profits are forecast at Y88bn, down from Y90bn.

## NEWS IN BRIEF

■ USF&G, the troubled Baltimore-based insurer, yesterday reported an after-tax profit of $13m in the fourth quarter of 1992, compared with a loss of $40m in the same period of 1991, writes Nikki Tait.

The figures - which include no realised investment gains, compared with a $16m surplus a year earlier – leaves USF&G with an after-tax profit of $28m for the year, against a $178m loss in 1991.

■ Arab Banking Corp, the largest Arab offshore banking group, posted a 76 per cent rise in net profits to $79m for 1992, *AP-DJ reports from Manama.*

Operating profits increased 15 per cent to $244m while pre-tax profits advanced 13 per cent to $102m.

■ Two investment management and advisory companies linked with Industrial Bank of Japan, the long-term credit bank, and New Japan Securities, the bank's affiliated brokerage, are to merge on April 1, Reuter reports from Tokyo.

IBJ NW Asset Management will be created by the merger of New Japan International Management and IBJW Asset Management. Japan is scheduled to lower barriers between the banking and brokerage industries in April.

■ A share offering by Bahrain-based *United Gulf Industries* Corp has only been 35 per cent taken up, prompting the company to extend the offer until the end of February, Reuter reports from Manama.

Mr Abdullah al-Moajil, managing director, said the share offering of 28m shares worth BD30.8m ($81.5m) was aimed at converting UGIC, a closed company which helps set up industrial projects around the Gulf, into a better-funded and publicly traded concern.

■ Public Bank, Malaysia's third largest bank, has bought *a 55 per cent stake in the* Kuala Lumpur Mutual Fund (KLMF), a unit trust management concern, for M$5.6m ($2.13m) in cash, Reuter reports from Kuala Lumpur.

## INTERNATIONAL COMPANIES AND FINANCE

# Joss takes the hot seat at Westpac

**Kevin Brown** on the problems facing the bank's new chief executive

WESTPAC Banking Corporation, the troubled Australian bank, has a rule that only the chairman can be questioned by shareholders at its annual meeting.

It is a convention that will be welcomed by Mr Robert Joss, the Californian banker appointed last week to Westpac's vacant chief executive's chair.

Mr Joss, a vice-chairman of Wells Fargo, the San Francisco-based regional bank, was not present at Westpac's vitriolic annual meeting, which ended last week after more than 16 argumentative hours spread over two days. But after studying Westpac over several weeks, he will know for certain what many shareholders already suspect: that things are likely to get worse before they get better.

Mr John Uhrig, the no-nonsense miner who took over as chairman of Westpac in October, gave much the same message to shareholders at the annual meeting, warning that it would be "unwise to assume that we will not have to contend with further setbacks."

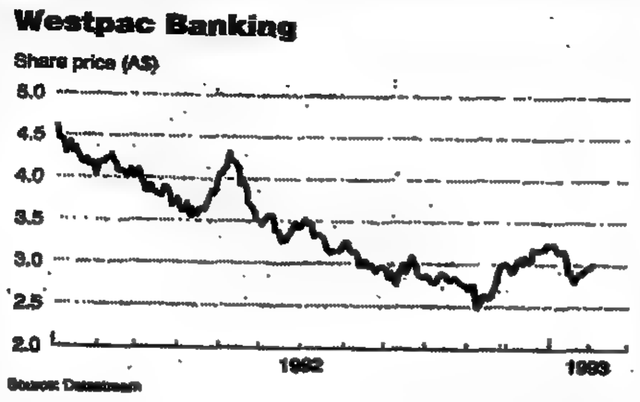
Westpac shareholders have become all too familiar with bad news over the last year as the bank has been hit by a catalogue of disasters which reads like the script for a banker's nightmare.

The year started with bad publicity about risky foreign currency loans and embarrassing leaked letters; it continued with a failed A$1.2bn rights issue; and it ended with net losses of A$1.5bn (US$810.3m) for the year to September, after writing off bad debts of A$2.5bn.

Five directors quit in October, including Sir Eric Neal, chairman, followed in December by Mr Frank Conroy, chief executive, after a boardroom row over his recovery plan. Meanwhile, Mr Kerry Packer and an associate joined the board after acquiring 10 per cent of the shares, and promptly walked out of their first board meeting after another row.

Mr Joss, who will inherit the mess when he arrives in Sydney later this month, will be uncomfortably aware of the giant shadows cast over Westpac by the enigmatic Mr Packer and the AMP Society, Australia's biggest financial institution, which owns 15 per cent of the bank.

Both Mr Packer and Mr Ian Salmon, managing director of AMP, have made clear that they want to see a rapid improvement in the bank's fortunes. But there seems to be little agreement about how the new chief executive should go about it.




Mr Conroy, a long-time Westpac executive who had held the top job for just 14 months, produced a recovery plan which initially commanded the support of the entire board.

Under the Conroy plan, the bank would have cut costs and increased revenue by A$300m by September; cut its non-interest expense to total income ratio from 70 per cent to 58 per cent over three years; and reduced gross assets by about A$10bn from A$110bn.

Mr Conroy quit because the board, under pressure from Mr Packer, wanted him to speed up the restructuring. But the board balked at Mr Packer's plans to put the shake-up in the hands of his American lieutenant, Mr Al Dunlap, who has acquired the sobriquet "chainsaw" for his zeal in slashing the costs of Mr Packer's private companies.

Mr Joss says his broad strategy is to refocus the bank on its Australian retail operations, which he believes can be sharpened up sufficiently to close the gap between Westpac and National Australia Bank (NAB), which has an expense-to-income ratio of 57.5 per cent. US analysts say he is highly regarded for the part he played in guiding Wells to recovery from similar problems to those that face Westpac.

"It was a team effort, but he certainly played a big part in it, and that will stand him in good stead when he takes over at Westpac," says Mr Ray Soifer, banking analyst at Brown Brothers Harriman in New York.

But with no clear guidance from the board, it is not clear how Mr Joss will approach Westpac's three main problems:

- Poorly-performing international assets. Westpac has about 48 per cent of gross assets outside Australia, split fairly evenly between the US, Europe, New Zealand and Asia. The worst performing assets are in Europe and the US, where Westpac's inferior credit-rating, caused by its bad debt problems, makes it impossible to compete with domestic banks.

"They need to run these assets down as quickly as they can," says Mr Craig Drummond, banking analyst at J.B. Were in Melbourne.

"But it is no good just sticking all the capital back in Australia because of the competition from NAB. So it has to be handled very carefully."

- Poor return on assets and higher-than-average expenses. Since Mr Conroy's departure, Westpac has indicated that it is considering reducing staff by up to 20 per cent, or 4,000 people, to help drive down its expenses-to-income ratio. Redundancies on this scale would bring the bank's staffing into line with NAB, but if it is done too quickly it could damage the bank's core retail activities.

"In spite of all its problems, Westpac's share of the domestic loans and bills market has remained unchanged at about 17 per cent," says Mr Drummond. "The bank has to move quickly to protect that market share, but if it moves too quickly it will damage the retail franchise, and that is the heart of the business."

- Bad debts. The key problem is the weak Australian commercial property market, which has significantly reduced the underlying assets against which many bad debts are secured. Mr Conroy tried to clear the decks last year.

But Westpac is due to revalue its property portfolio in March, and analysts say the crucial Sydney market has fallen by more than 10 per cent since the last revaluation in March 1992.

The revaluation, one of the "further setbacks" feared by Mr Uhrig, is likely to cut a further A$600m from Westpac's property portfolio.

Westpac shareholders went away from last week's annual meeting less than convinced that the worst is over, but ready to give the new chief executive a chance.

Can he deliver? "Wells Fargo managers are among the best the US has," says Mr Campbell Chaney, banking analyst at Sutro and Co in San Francisco.

"Several have gone on to clean up other banks, and Joss is equally capable of doing that."

Westpac shareholders will be waiting anxiously to see whether this judgment is correct. If it is not, Mr Uhrig can expect another rough ride at next year's annual meeting.

# Trencor gains W&A for R350m

By Philip Gawith in Cape Town

TRENCOR, the Cape-based transport and trading company, is to gain control of W&A, a diversified South African consumer and industrial group, through a capital injection of R350m ($113.6m).

The deal brings together two of South Africa's largest companies not controlled by the country's big mining houses or financial institutions.

The two groups yesterday announced that companies in the W&A group – comprising FS group, FSI corporation, Walcor and W&A – would launch rights offers to raise at least R500m. Trencor would invest R350m by underwriting the offers and taking up rights.

Trencor and a management consortium led by its controlling shareholder, Mr Jeff Liebesman, will exercise joint control of W&A at board and executive levels and will appoint an executive chairman.

Trencor, a very low profile company, has produced good results over a number of years, while W&A has struggled to shake off problems of excessive levels of debt.

Trencor, with a market capitalisation of about R2.7bn, is one of the most highly-rated stocks on the Johannesburg Stock Exchange with a price/earnings ratio of 21. W&A, with a market capitalisation of about R210m and a p/e ratio of 3.3, has long had a poor rating.

Mr Liebesman said yesterday that the proceeds of the rights issue would be used to redeem debt and would reduce significantly the group's gearing. The compatibility of the two groups' interests would create promising business opportunities, particularly in export-related and international fields. Mr Liebesman said the disposal of non-core assets would continue.

# US groups consider NZ Rail bid

By Terry Hall in Wellington

TWO US companies have declared an interest in bidding for New Zealand Rail, the government-owned railway that is being offered for sale internationally. Strong interest is rumoured from other overseas interests, including Sea Containers, the UK rail and ferry operator.

To date, only the two US companies, Railroad Development Corporation, a Pittsburg railway group, and Burlington Northern, a Texas rail operator, have announced they are considering buying New Zealand Rail.

The sale of New Zealand Rail is expected to fetch up to NZ$400m (US$210.5m). The government hopes to complete the sell-off by the middle of this year, and has appointed Booz Allen and Hamilton, the international management consultancy, to handle the sale.

Mr Robert Pietrandrea, chairman and vice-president of Railroad Development Corporation, said New Zealand Rail was a "unique" operation that had defied conventional wisdom by making money out of passenger services. It was also one of the few railroads in the world that was profitable.

Railroad Development Corporation is owned by Hawthorn Group, which also has property, media and other interests. It also runs freight lines in Argentina and manages a 1,000km line between Omaha and Chicago.

It has been reported that Sea Containers may be part of a consortium being put together by the New Zealand-based Owens Group, one of New Zealand's biggest road and port transport companies. A group of New Zealand port companies, including the Auckland, Tauranga and Lyttelton port companies, is also preparing to bid in order to retain ownership in New Zealand hands.

# New Indian car targeted at Europe

MARUTI Udyog, jointly owned by Suzuki Motor, the Japanese minicar producer, and the Indian government, is developing a small car for export to Europe, Reuter reports from New Delhi.

Mr R.C. Bhargava, Maruti managing director, said the Maruti Y-2, a four-door hatchback with a one litre engine, would be be unveiled after trial production begins in April.

Maruti plans to manufacture about 70,000 of the cars a year by the end of 1994 and about 50,000 will be for export, Mr Bhargava said. The rest will be sold locally.

"Europe will be the right market for this car," Mr Bhargava said, adding it would be fuel-efficient and meet European emission standards.

The Y-2 would replace Maruti's 800cc model currently sold in Hungary, Italy, Poland and Portugal.

Mr Bhargava said he expected the Y-2 to compete against Fiat, Peugeot and Renault compacts.

Maruti exported 23,000 of its 800cc model, the largest selling car in India, in the year to March 1992. Exports for 1992-93 are expected to be only about 16,000, because of the war in the former Yugoslavia, which used to be a large market.

# Upjohn advances by 13% despite Halcion setback

By Alan Friedman in New York

UPJOHN, the US pharmaceuticals group, yesterday reported a 13 per cent rise in its fourth-quarter 1992 net earnings, to $154m, or 86 cents a share.

Mr Theodore Cooper, chairman and chief executive, said the group achieved a solid performance in 1992 despite numerous challenges – including a 45 per cent decline in worldwide sales of Halcion, the controversial sleep medication.

The Michigan-based company said the profits figure excluded the cumulative effects of accounting changes adopted in the quarter. Revenues in the quarter showed a 9 per cent improvement at $889m.

Theodore Cooper: the group achieved a solid performance

For the whole of 1992, Upjohn had net profits of $562m, a 4 per cent increase on 1991 results. Revenues were 7 per cent higher at $3.64bn in 1992.

After including special restructuring charges and the reserves related to accounting changes, Upjohn's 1992 net profit was $312.2m, or $1.74 per share, compared with $525.1m, or $2.87, in 1991.

Consolidated US sales were $2.3bn in 1992, some 6 per cent better year-on-year. Non-US sales were 8 per cent improved at $1.4bn, amounting to 38 per cent of total revenues.

Pharmaceutical sales outside the US surpassed $1bn for the first time and were 8 per cent higher in 1992. Agricultural division sales were 6 per cent up in 1992.

Before the close on Wall Street, Upjohn's share price was $29¼, down $⅜.

# US drugs group eyes Europe

By Paul Abrahams

MARION Merrell Dow, the US pharmaceuticals group, is looking for a substantial pan-European acquisition, according to senior company executives.

The aim of any acquisition would be to increase sales in its European prescription drugs and over-the-counter non-prescription businesses. The group generates about 30 per cent of its turnover outside the US, and about 23 per cent in Europe.

Marion Merrell Dow would also like to acquire manufacturing capacity, says Mr Ronald Irwin, chairman and managing director of Marion Merrell Dow's UK operations.

The group's British production site was acquired by Procter & Gamble, the US consumer products group, when it bought Richardson-Vicks in 1985. Marion Merrell Dow now uses contract manufacturers.

Mr Irwin says the group has considerable cash reserves to make an acquisition. Cash and short-term investments at the end of last year were $414m.

However, another route available to the company might be a merger. Merchant bankers are known to have approached at least one leading British pharmaceuticals group suggesting such a deal.

Any European acquisition would compliment Marion Merrell Dow's purchase last year of the Berlin-based pharmaceuticals group Henning.

The US group needs to drive earnings through acquisitions. US patents for its two leading products, Cardizem and Seldane, are due to expire within the next two years.

Sales of Nicoderm, its nicotine patch, together with those of Nicorette nicotine gum, increased 122 per cent last year. However, they are expected to slow this year.

# Eastman Kodak back in the black with $299m

Martin Dickson

EASTMAN Kodak, the photographic equipment company, reported fourth-quarter net earnings of $299m, compared with a $400m loss a year ago, and forecast its latest restructuring plan would produce a solid increase in 1993 operating earnings.

The company, with a lacklustre profits record in recent years, has been showing signs of a more aggressive approach to its problems, including the announcement of 2,000 redundancies.

Mr Kay Whitmore, the chairman, reiterated the company's penitential tone when he declared that from now on Kodak would "better align our structural costs with realistic volume projections. We will view the world as it is, and not as we might wish it to be. And our view will be fixed on increasing shareholder value."

The fourth-quarter earnings worked through at 92 cents a share and compared with a loss of $1.23 a share in the same period of 1991, when the company took after-tax restructuring charges of $597m, or $1.84.

Revenues rose 6 per cent to $5.40bn from $5.08bn.

For the full-year net earnings were $1.15bn, or $3.53 a share, compared with $17m, or 5 cents, a year ago.

The 1991 figures were reduced by $1.03bn of after-tax charges, while in 1992 a $152m beneficial accounting change was almost offset by $141m of restructuring charges.

However, Mr Whitmore acknowledged that "with sluggish volume and cost inflation putting pressure on operating margins, the sale of certain investments was a large factor in the net earnings gain" for 1992.

In the fourth quarter the imaging business produced earnings of $316m, against a 1991 loss of $189m, while the information business suffered a loss of $12m, down from a loss of $65m, excluding restructuring charges.

# Chrysler's credit upgraded by S&P

By Martin Dickson in New York

CHRYSLER, the US carmaker which raised $1.78bn gross on Tuesday in an international share offering, yesterday saw this success result in an upgrading of its credit rating by Standard & Poor's.

The rating agency's move brought the car company to within one notch of its declared goal of getting its senior debt re-classified as investment grade, rather than the more speculative "junk" label it has now.

Chrysler's stock offering was priced at $38¾ a share, the closing price of the company's shares on the New York Stock Exchange on Tuesday night. The shares rose yesterday to stand at $38⅞, up $⅛, before the close.

Demand from investors was sufficiently strong that the company and its underwriters, led by First Boston, increased the size of the offering from 40m shares to 46m.

Chrysler's share price has nearly quadrupled since the start of last year as the company's financial prospects have improved and the shares continued to perform robustly after the new issue was announced on January 11.

The shares stood at $36⅞ immediately before the announcement, dipped a little immediately afterwards, but then rose, helped by a strong fourth-quarter earnings report.

Standard & Poor's, which raised the company's debt rating from Single-B-Plus to Double-B when the issue was announced, lifted it a further notch yesterday, to Double-B plus.

The next grade up is Triple-B minus, which qualifies as investment grade.

The company has indicated that it will use almost half of the funds raised to reduce the underfunding of its pension obligations. The shortfall stands at about $4bn and Chrysler has left open the possibility that all the cash could be contributed to the pension fund.

S&P said that further success by Chrysler with new product launches could enable the company to bolster financial flexibility to levels adequate to protect the company in the event of another severe downturn in market conditions.

"Thus the company could achieve its standed goal of achieving investment grade ratings by early 1995 – or even sooner," S&P added.

# Allied-Signal lifts profits 33%

By Martin Dickson

ALLIED-SIGNAL, the US high-technology company, yesterday reported a 33 per cent increase in fourth-quarter earnings, excluding special items, and forecast a 12 per cent to 18 per cent rise in 1993 earnings per share.

The company has been enjoying strong profits growth since the arrival as chairman in July 1991 of Mr Larry Bossidy, who has been carrying out a major restructuring.

Allied-Signal reported fourth-quarter earnings of $153m, or $1.09 a share, compared with earnings of $115m, or 83 cents, in the same period of last year, excluding unusual items. Including unusual items, fourth-quarter net income totalled $135m, or 98 cents a share. Sales totalled $3.1bn, up 2 per cent.

For the full year, Allied reported earnings of $566m, or $4.02 a share, up 65 per cent on 1991's earnings of $342m, or $2.51, before unusual items.

After special changes in accounting for retiree health benefits and income tax, the company recorded a 1992 net loss of $712m, or $5.05 a share.

Mr Bossidy said the group expected to record net income of between $4.50 and $4.75 a share in 1993.

"Our 1992 earnings per share surpassed the high end of the range we had forecast, cash-flow for the year improved by $545m, and the company's productivity increased by 5.6 per cent," he said.

In the fourth quarter, income from the aerospace business rose 17 per cent to $75m, mainly due to productivity improvements. Automotive was up 20 per cent at $36m and engineered materials produced income of $49m, up 58 per cent.

# Time Warner unveils plan to raise $1.5bn

By Alan Friedman

TIME WARNER, the leading US media and entertainment group, yesterday offered fresh evidence of its aggressive move to reduce the cost of debt and preferred stock dividends when it said it had filed a shelf registration with the Securities and Exchange Commission to raise up to $1.5bn.

Over the past few weeks Time Warner has raised $3.5bn in debentures and spent the proceeds repurchasing the Series D preferred stock which was issued after Time and Warner Communications agreed to merge in 1989.

Some $3.1bn of Series C preferred stock remains outstanding and Time Warner said yesterday it planned to use the next $1.5bn it raises to redeem some of these securities.

The Series C and D stock in 1991 cost Time Warner a total of $579m in dividend payments, dragging the company into loss despite healthy operating earnings.

The debentures being issued to replace the Series C and D preferred stock have maturities ranging from five to 40 years.

Analysts believe Time Warner's financial strategy will eventually shift from redeeming preferred stock to the disposal of non-strategic assets in order to raise funds to reduce bank debt.

# Digital to take French stake

By Alan Cane

DIGITAL Equipment Corporation, the US minicomputer manufacturer, is taking an equity stake in Advanced Computer Research International, a French-based company dedicated to developing commercial supercomputers. The price of the stake, said to be under 10 per cent, has not been disclosed.

ACRI will use Digital's new Alpha high-powered microprocessor chip as the basis of its computers, and the companies will develop operating software for the new systems.

Digital is pinning much of its hopes of returning to profitability on the Alpha chip.

# Citicorp to sell Arizona branches and assets

By Alan Friedman

CITICORP, the largest US commercial bank, yesterday said it had agreed to sell to Norwest, a regional US banking group, 59 branches and most of its assets in Arizona.

Citicorp said the sale of the branches, $2bn of deposits and $2.3bn of assets in Arizona was the result of an evaluation which determined that owning Citibank Arizona was no longer strategically necessary.

Terms of the transaction were not disclosed, but the bank said the deal would have "no material financial impact."

Citicorp did say it would take some "modest write-offs" as a result of the deal.

The Arizona interests, once part of Citicorp's ambition to develop holdings across the US, were bought by Citicorp in two stages in 1986 and 1988.

In 1988, Citicorp acquired assets from the United Bank of Arizona from Standard Chartered Bank of the UK for between $200m and $250m.

Citibank of Arizona, based in Phoenix, is engaged in retail and community banking activities.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.70 | 18.25 | 18.25 |
| 0100 | 21.67 | 20.61 | 21.62 |
| 0130 | 23.61 | 20.61 | 21.79 |
| 0200 | 23.61 | 20.61 | 21.77 |
| 0230 | 21.63 | 17.73 | 17.73 |
| 0300 | 21.63 | 17.71 | 17.71 |
| 0330 | 18.73 | 17.71 | 17.71 |
| 0400 | 18.65 | 17.54 | 17.54 |
| 0430 | 18.07 | 17.47 | 17.47 |
| 0500 | 18.07 | 17.47 | 17.47 |
| 0530 | 18.21 | 17.56 | 17.58 |
| 0600 | 18.21 | 17.54 | 17.94 |
| 0630 | 18.60 | 17.72 | 17.72 |
| 0700 | 21.61 | 20.67 | 21.80 |
| 0730 | 22.38 | 21.46 | 22.67 |
| 0800 | 22.30 | 21.70 | 22.90 |
| 0830 | 22.89 | 25.40 | 28.72 |
| 0900 | 24.44 | [illegible] | 28.72 |
| 0930 | 25.64 | 22.62 | 24.05 |
| 1000 | 25.64 | 22.62 | 24.05 |
| 1030 | 25.64 | 21.74 | 22.93 |
| 1100 | 24.44 | 21.75 | 22.93 |
| 1130 | 24.44 | 21.75 | 22.50 |
| 1200 | 24.44 | 21.73 | 22.93 |
| 1230 | 24.44 | 22.68 | 24.05 |
| 1300 | 23.28 | 22.62 | 24.05 |
| 1330 | 23.28 | 21.74 | 22.94 |
| 1400 | 19.32 | 21.74 | 22.95 |
| 1430 | 18.73 | 21.74 | 22.98 |
| 1500 | 18.73 | 21.74 | 22.95 |
| 1530 | 18.79 | 21.75 | [illegible] |
| 1600 | 18.79 | [illegible] | 25.10 |
| 1630 | 22.69 | 26.21 | 27.67 |
| 1700 | 24.62 | 27.62 | 29.23 |
| 1730 | 29.62 | 27.70 | 29.28 |
| 1800 | 29.74 | 27.16 | 28.63 |
| 1830 | 29.55 | 26.14 | 27.40 |
| 1900 | 29.15 | 25.18 | 26.38 |
| 1930 | 26.47 | 23.61 | 25.01 |
| 2000 | 20.27 | [illegible] | 25.02 |
| 2030 | 24.14 | 21.98 | 22.75 |
| 2100 | 22.36 | 21.46 | 22.62 |
| 2130 | 22.04 | 20.67 | 21.81 |
| 2200 | 21.81 | 18.02 | 18.02 |
| 2230 | 21.81 | 17.72 | 17.72 |
| 2300 | 18.47 | 17.58 | 17.58 |
| 2330 | 17.59 | 17.51 | 17.81 |
| 2400 | 17.67 | 17.48 | 17.49 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.99/MWh becomes 1.899p/KWh. [illegible]

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## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

# Rustenburg falls 65.5% on lower metals prices

By Kenneth Gooding, Mining Correspondent

RUSTENBURG Platinum Holdings, the world's biggest platinum producer, yesterday reported half-year results well below analysts' expectations.

Pre-tax profit fell by 65.5 per cent to R168.7m ($54.54m), earnings per share were down 49.8 per cent to 87.9 cents, and the dividend is to be cut by 28.5 per cent to 62.5 cents a share.

Mr Barry Davison, managing director, said the second-half performance would depend on metals prices. Present prices for all the metals produced by Rustenburg, except palladium, were below those of the first half and could not be expected to rise until there was a substantial improvement in the world economy.

Asked about the potential sale of 38.4 per cent of Johnson Matthey of the UK, the sole marketing organisation for precious metals produced by Rustenburg, by Charter Consolidated, the UK conglomerate, Mr Davison said his company had been in touch with both companies "and we are happy with what is going on."

He said that neither Rustenburg nor any of the other platinum companies managed by Johannesburg Consolidated Investment were directly involved in the negotiations about the JM stake.

Mr Davison noted that the half-year dividend would be covered 1.4 times by earnings, "which is a lower cover than has formerly been the case at the interim stage." But Rustenburg was not changing its dividend policy and it was unlikely that cover for the full-year would drop below 1.4 times.

Gross sales for the six months to December 31 slipped by 5.8 per cent to R1.413bn, mainly because of a 34 per cent drop in the rhodium metal price, compared with the same period of 1991, and a 15 per cent fall in nickel prices.

Capital expenditure for the period was R176.9m, down from R240m, and included R34.8m (R109.3m) for expansion projects.

Barry Davison: dividend cover unlikely to fall below 1.4 times

# Mercedes Benz invests DM800m on research

By Kevin Done, Motor Industry Correspondent

MERCEDES-BENZ, the automotive subsidiary of Daimler-Benz, is to invest DM800m ($490m) to build a new technical centre in Germany for the development of future car models.

The research and development centre will play a crucial role in the German carmaker's plans, announced last week, to transform its strategic product policy.

During the 1990s, it wants to change from being a traditional maker of exclusive luxury cars into an "exclusive full-line manufacturer offering high-quality vehicles in all segments of the market".

Mr Dieter Zetsche, Mercedes-Benz director for car development, said that the company planned to concentrate all new vehicle design, development and engineering operations at only two locations, instead of the present 18 sites in south-west Germany.

The new technical centre will be built at Sindelfingen in south-west Germany, near Mercedes-Benz's main domestic car assembly plant. It is planned to begin operations in 1996 and will have a workforce of around 4,500.

The design and development of engines and transmissions will be concentrated at the group's Untertürkheim plant in Stuttgart.

The carmaker's plans for the new technical centre are a belated recognition that it has fallen behind its rivals in the efficiency of its development and engineering operations.

BMW, its rival German luxury car maker, opened an integrated DM1.1bn research and engineering centre in Munich at the end of 1989.

# Behind Paris's marriage of money and chic

**Alice Rawsthorn** examines the merger between Yves Saint-Laurent and Elf-Sanofi

THE opulent Salon Impérial at the Inter-Continental Hotel in Paris resounded with applause last week when Mr Yves Saint-Laurent, one of France's most famous fashion designers, mounted the stage for a standing ovation at the end of his haute couture show.

Mr Saint-Laurent has been showing couture in Paris for more than 30 years, but last week's collection was special. It was his last as an independent designer before YSL, his company, merges with Elf-Sanofi, the pharmaceuticals and cosmetics arm of Elf-Aquitaine, the flagship French oil group.

YSL has struck a complex share swap agreement whereby its perfumes will be taken over by Elf-Sanofi, but the fashion business will continue to be run by Mr Pierre Bergé, who co-founded the company with Mr Saint-Laurent.

At first glance, the deal makes sense for both parties. Elf-Sanofi has been expanding in perfume to augment its pharmaceutical interests. It now has a portfolio of brands, including Nina Ricci and Fendi, which provide FFr3.2bn ($581m) of its FFr19bn annual sales.

But Elf needs to increase its perfume portfolio, preferably with a prestigious brand, if it is to continue to compete for distribution in the increasingly consolidated retail sector against powerful players such as L'Oréal and LVMH of France as well as Estée Lauder of the US.

YSL has the prestige that Elf lacks. Its scents, including Opium and Rive Gauche, represent roughly FFr2.5bn of its FFr3bn annual sales. It also needs new inward investment. The growth of the big groups, such as L'Oréal and LVMH, has raised the stakes in fashion and beauty. It now costs up to $50m to promote a new perfume worldwide. This is imposing intense financial pressure on independents, like YSL, which barely broke even in the first half of last year.

In theory, last week's deal should give YSL and Elf what they want – money and chic, respectively. In practice, though, things might prove more difficult.

The challenge for Elf is to launch new YSL fragrances. It has the necessary financial resources, but has taken on YSL at a difficult time. The French fashion designers have seen sales fall by 20 per cent in real terms from their 1990 peak to FFr4.3bn in last year. The global beauty market has been relatively static for two years.

Elf also has the problem that, although YSL is still prestigious, it is these days less obviously in the forefront of fashion. Mr Saint-Laurent's era as an innovator is rooted in the 1970s, when his most successful scents, Rive Gauche and Opium, came out. His classic style, beloved of haute bourgeoise Parisiennes, is not always in step with the informal fashions of the 1990s. This may make the YSL name less marketable for Elf when it tries to launch new perfumes in the future.

There is also the question of what will happen after Mr Saint-Laurent, now 56 with a history of poor health, retires. Elf might be able to revive YSL under a new designer, as Chanel has done with Mr Karl Lagerfeld. But other houses have found the transition more difficult, notably Balmain and Lanvin, which have experienced a series of design and management changes.

These difficulties are aggravated by the prospects for YSL's personnel within the Elf empire. Mr Saint-Laurent is seen as unpredictable even in the histrionic Paris fashion world. Mr Bergé is called *Pierre le Panthère* in French business circles for his autocratic style. Until now, they have been free to run their company exactly as they wished.

What occurred in the Scherrer house shows how difficult it can be for fashion entrepreneurs to adjust to a more buttoned-down corporate life. Mr Jean-Louis Scherrer, the founder, stormed out before Christmas after a row with its new owners and the house is now mired in legal suits.

Mr Bergé insists there is no possibility of that scenario recurring at YSL. Even so, the spectre of Scherrer provided an ominous backdrop to Mr Saint-Laurent's last independent couture show.

# Sears loses C$91m on slower sales

By Robert Gibbens in Montreal

SEARS Canada, one of the two biggest Canadian retail groups, lost C$91m (US$72m), or C$1.04 a share, in 1992 on sales 3 per cent lower at C$4bn.

Last year's Christmas shopping season was disappointing, Sears said. In 1991, it lost C$29m. The latest period included C$48m in restructuring charges.

Retailers can now open on Sundays in Ontario and Quebec. Over the past 15 months the Canadian dollar has fallen 12 per cent against the US dollar. Mr Joseph Reddington, Sears president, said these factors had reduced the flow of Canadians crossing the border to shop in the US.

Sears Canada has closed two catalogue distribution centres.

● Birks, the Canadian jewellery chain will get a cash infusion from Italy's Borgosesia group. It will keep 38 stores open, having closed 73 stores last year when it sought bankruptcy protection.

# Italians return to loans market

By Sara Webb

ITALIAN borrowers are returning to the international syndicated loans market after an absence of several months.

So far, a handful of medium and long-term credit institutions has tapped the loans market with relatively small deals, but bankers expect several more financial institutions and some corporate names to seek international syndicated credits over the next six months because of their relatively heavy borrowing needs.

While the cost to Italian borrowers of raising money from international banks is in some cases higher than in early 1992, bankers believe that as more Italian names return to the market, pricing on Italian deals should start to edge lower.

Italian borrowers have been virtually barred from the syndicated loans market since last July when Efim, the state industrial holding group, went into liquidation. Italian and foreign banks are owed L9,500bn ($6.22bn).

Initially, the Treasury proposed to repay the Efim loans using bonds with below-market interest rates, in a deal which was resisted by the banks. The Treasury has now agreed to repayment in full, although international banks are still waiting for their money.

The Efim débâcle meant that few international banks were willing to lend to Italian names – which have traditionally been frequent users of the Euromarkets – in the second half of last year.

However, now that some bankers are satisfied that the problems concerning Efim will be resolved, Italian borrowers are eagerly seeking funds in the international syndicated loans market.

Some of the deals launched in the last few weeks have been quite generously priced, bankers said, in order to woo back lenders. For example, Mellorconsorzio launched a DM37m seven-year loan paying a margin of 75 basis points over the London interbank offered rate (Libor) and participation fees of 30 basis points for DM4m amounts.

One of the banks involved said that, as this was one of the first "post-Efim" Italian deals to be launched, the deal carried a slight premium, and reflected the market's perception of the borrower's creditworthiness. The deal was successfully syndicated with the amount increased to DM57m.

More tightly priced was Monte dei Paschi di Siena's loan, originally set at Ecu 50m but raised to Ecu 110m. Bankers appeared content with the margin of 52.5-57.5 basis points over Libor and the maturity of 10¼ years, despite initial concern that the terms might prove too tight.

Since the completion of these deals, other Italian names have come to the market. Mediocredito Lombardo, a medium-term credit institution, has launched a $50m, two-year loan paying 35 basis points over Libor, which lead manager Sumitomo has said may be increased to $100m.

Other borrowers include Credito Fondiario e Industriale, which has launched a five-year Ecu100m loan priced at 65 basis points over Libor with participation fees of between 22.5-37.5 basis points, and Istituto Nazionale per il Credito Edilizio, a medium-term mortgage institution.

# Strong US volume lifts 3M to $289m

By Laurie Morse in Chicago

MINNESOTA Mining & Manufacturing yesterday reported increased fourth-quarter earnings of $289m, or $1.32 per share, up 11.5 per cent from $259m, or $1.18 per share, in the same 1991 quarter. The company said strong domestic volume helped boost fourth-quarter results, with its industrial and consumer sectors showing gains.

US sales volume gained 8 per cent, while international volume was up 6 per cent. In dollar terms, worldwide sales were $3.375bn, up from $3.224bn in the same period last year. Mr L. D. DeSimone, chairman, said the quarter's earnings were limited by economic weakness abroad.

For the year, earnings were $1.23bn, or $5.63 per share, up 6.8 per cent from $1.15bn, or $5.26, in 1991, on sales of $13.9bn, up from $13.3bn in 1991. The latest full-year results include a charge of $3m, or 2 cents per a share, for required accounting changes.

# Record HK property deal

By Simon Davies in Hong Kong

WORLD GROUP, the Hong Kong corporate empire of the late Sir Yue-kong Pao, yesterday paid a record HK$3.53bn (US$458m) for a large property development site on the Kowloon Peninsula in an auction held by the Hong Kong government.

World won the bid for the 1.7m sq ft site in Diamond Hill in the face of competition from all of the colony's leading property developers, including Cheung Kong, New World Development and Sun Hung Kai Properties.

The deal is to be shared evenly between three of World's listed companies – World International, Wharf Holdings, and Hong Kong Realty and Trust.

Mr John Hung, director of Wharf, said the group would "create the only mega purpose-built retail centre under one roof in that region".

It plans to build retail and residential property on the site.

## Correction

**Banco Bilbao Vizcaya**

THE conversion into dollars of Banco Bilbao Vizcaya's net profit for 1992 was incorrectly reported in the yesterday's FT. The correct figure at current exchange rates is $696m.

## INTERNATIONAL CAPITAL MARKETS

# Danish bonds tumble as currency pressures resurface

By Sara Webb in London and Patrick Harverson in New York

DANISH government bonds tumbled yesterday as the Danish currency came under heavy selling pressure, reigniting the tensions within the European exchange rate mechanism.

The Danish central bank raised the rate on its repurchase operations from 11.5 per cent to 13 per cent in order to defend the krone, and several European central banks intervened in the foreign exchange markets to help support the currency and prevent a devaluation.

### GOVERNMENT BONDS

The Danish economy minister, Ms Marianne Jelved, ruled out a devaluation of the krone, saying it would be defended at all costs against increasing attacks from currency speculators.

■ PRESSURE on the Danish currency fuelled hopes that the Bundesbank may soon allow an easing in German official interest rates.

The German government bond market ended higher on the day, buoyed by hopes that the public sector unions would agree to a low wage increase this week, allowing the Bundesbank to ease rates.

Dealers noted strong demand for medium-dated paper, which led to a steepening of the yield curve. The Liffe bund futures contract, which opened at 93.26, moved up to a high of 93.38 before ending at around 93.35.

■ FRENCH government bonds closed higher, even though the currency came under pressure again and money-market rates remained relatively high.

The Bank of France announced yesterday it had reopened its 5-10 day lending facility – which was suspended on January 5 – offering funds at 12 per cent for five-day periods. The yield on the 8 per cent bond due 2003 moved from 7.84 per cent to 7.80 per cent.

Elsewhere in Europe, Dutch government bonds rallied on news that the Dutch finance ministry plans to allow open-market trading in stripped components of publicly-issued 30-year government bonds.

■ UK government bonds closed slightly higher after a volatile day in which the market shrugged off sterling's weakness in the foreign exchange markets.

Dealers noted some foreign interest in gilts, suggesting that overseas investors think sterling may be close to its low and expect to see an appreciation in sterling assets.

The Bank of England said two of its tap stocks had been exhausted yesterday.

■ JAPANESE government bond prices fell sharply as investors sold futures ahead of an expected interest rate cut.

The bond market expects the Bank of Japan to cut the Official Discount Rate by 75 basis points to 2.5 per cent today.

Media reports and anonymous statements from senior government officials indicated the cut – which would provide a welcome boost for Japan's weak economy – would come today.

Hopes of a cut pushed rates on three-month certificates of deposit to a record low of 3.25 per cent, down from 3.43 per cent.

The Japanese government bond market climbed to a five-year high earlier this week and the prospect of a rate cut prompted investors to take profits yesterday.

The futures contract fell half a point from 109.73 to end at 109.24, the low of the day. The yield on the benchmark No 145 opened at 4.3 per cent and closed at 4.355 per cent, just off the low price of the day.

■ US Treasury prices yesterday firmed slightly at the long end, but stayed flat at the short end, as investors and dealers stuck to the sidelines ahead of the afternoon announcement of next week's refunding auctions.

By midday, the benchmark 30-year government bond was up 1/8 at 104 1/4, yielding 7.233 per cent.

At the short end of the market, the two-year note was unchanged at 99 3/4, to yield 4.250 per cent.

In recent weeks there has been much speculation over whether the Treasury would change the refunding mix by cutting the size of the long bond issue (and increasing the amount of shorter-dated securities sold accordingly) in order to reduce the cost of financing the budget deficit.

**FT FIXED INTEREST INDICES**

| | Feb 3 | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Year ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt Secs (UK) | 95.26 | 95.27 | 94.21 | 94.76 | 94.83 | 88.23 | 95.64 | 85.11 |
| Fixed Interest | 110.87 | 110.75 | 109.94 | 109.85 | 109.76 | 100.99 | 110.87 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.87 (3/2/93), low 50.53 (3/1/75).

**GILT EDGED ACTIVITY**

| Indices* | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Jan 27 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 205.7 | 158.4 | 188.6 | 227.8 | 169.5 |
| 5-Day average | 186.0 | 180.2 | 173.8 | 163.1 | 145.7 |

* SE activity indices rebased 1974

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 108.7645 | -0.120 | 8.64 | 8.77 | 8.95 |
| BELGIUM | | 8.750 | 06/02 | 107.7500 | -0.050 | 7.66 | 7.58 | 7.84 |
| CANADA * | | 8.500 | 04/02 | 102.9500 | -0.100 | 8.04 | 8.07 | 7.92 |
| DENMARK | | 8.000 | 05/03 | 96.0500 | -0.450 | 8.60 | 8.49 | 8.97 |
| FRANCE | BTAN | 8.500 | 03/97 | 102.1885 | +0.241 | 7.84 | 7.98 | 8.02 |
| | OAT | 8.500 | 11/02 | 101.4800 | +0.430 | 7.82 | 7.90 | 8.09 |
| GERMANY | | 8.000 | 07/02 | 106.3000 | +0.240 | 7.08 | 7.15 | 7.23 |
| ITALY | | 12.000 | 05/02 | 93.8050 | +0.175 | 13.191 | 13.23 | 13.74 |
| JAPAN | No 119 | 4.800 | 06/99 | 103.0442 | -0.261 | 4.19 | 4.26 | 4.48 |
| | No 145 | 5.500 | 03/02 | 107.5120 | -0.354 | 4.35 | 4.34 | 4.63 |
| NETHERLANDS | | 8.250 | 05/02 | 106.0300 | +0.240 | 7.05 | 7.11 | 7.22 |
| SPAIN | | 10.300 | 06/02 | 92.3000 | +0.250 | 11.67 | 11.72 | 12.63 |
| UK GILTS | | 10.000 | 11/96 | 111-04 | +6/32 | 6.57 | 6.81 | 7.24 |
| | | 9.750 | 08/02 | 110-22 | +13/32 | 8.02 | 8.16 | 8.29 |
| | | 9.000 | 10/08 | 103-29 | +3/32 | 8.50 | 8.72 | 8.59 |
| US TREASURY * | | 6.375 | 08/02 | 99-17 | -8/32 | 6.44 | 6.48 | 6.84 |
| | | 7.625 | 11/22 | 104-23 | +6/32 | 7.24 | 7.24 | 7.36 |
| ECU (French Govt) | | 8.500 | 03/02 | 103.2750 | +0.200 | 8.14 | 8.20 | 8.59 |

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# EIB completes shelf registration for yen issues

By Richard Waters

THE European Investment Bank yesterday completed the first shelf registration for yen-denominated bonds, potentially lowering its borrowing costs in future by shortening the time it takes to launch yen issues.

The arrangement, which is intended to cover all of the bank's expected yen borrowing this year of more than Y200bn ($1.6bn), will make it possible for the EIB to seek bids from underwriters and then launch a yen issue on the same day, an official said.

The process takes two days at present, due to the need to obtain Ministry of Finance approval for the lead-managers and co-managers to the issue.

The bank has now obtained the Japanese authorities' permission to use any managers selected from a pre-notified list of some 50 to 60 banks, doing away with the need for specific authorisation for each issue.

The shorter time between inviting bids and choosing underwriters should prompt banks to submit more competitive bids, the EIB official said. "If counter-parties are on risk for less time, it should lead to finer pricing," he said. The official added the relationship between yields in the Japanese government bond, Euroyen and swap markets worked in a less predictable way than in some other currencies, and that this added to the costs when banks or the EIB wanted to hedge any Euroyen position. This further discouraged banks from submitting the tightest possible bids.

The shelf-registration, arranged by Nikko Europe, covers an initial Y250bn of bonds. Last year, the EIB raised around Y300bn in the Euroyen market, making it the second-largest borrower behind the World Bank.

The agreement also follows the recent trend for borrowers to reduce their issuing costs by standardising the documentation of their Eurobond and medium-term note issues. The EIB's arrangement is expected to reduce the fees on each individual transaction from around £30,000 to some £10,000.

# Sterling reverse FRNs prove popular with institutional investors

By Antonia Sharpe

THERE was a rush of sterling reverse floating-rate notes totalling £300m yesterday as issuers tapped the current demand for instruments which will allow investors to benefit from falling UK interest rates.

### INTERNATIONAL BONDS

Syndicate managers said they were the first sterling reverse FRNs to be underwritten in the public domain.

The paper proved popular with institutional investors who believe that sterling interest rates are set to fall further this year.

All three issues are believed to have been swapped, leaving the issuers with a normal floating-rate liability.

Goldman Sachs kicked off with a three-year £100m issue for Abbey National, the UK bank, which was snapped up quickly. It was followed by the Halifax Building Society, the largest UK mortgage lender, which raised a similar amount via UBS Phillips & Drew. In the early afternoon, Goldman arranged a further deal for Eksportfinans, the Norwegian import-export agency.

The basic terms on the three deals were virtually identical. Each was priced at par, with the first coupon fixed at 7 per cent for the first six months. Thereafter, the semi-annual coupon will be fixed at 12.375 per cent minus six-month Libor.

Mr Jonathan Nicholls, director, corporate finance and capital markets at Abbey National, said that yesterday's issue followed the bank's strategy of having a mix of medium-term notes and that the structure lent itself well to this maturity.

Syndicate managers said there was a limit to how much more paper could be issued in the near term because the swaps transactions linked to yesterday's deals had resulted in less favourable conditions in the swaps market. However, they did not rule out further issues, or variations on yesterday's structure, in view of the healthy demand from investors.

The current climate prompted Bayerische Vereinsbank to re-open its $100m collared 10-year FRN, issued early in January, and raise a further $75m.

Elsewhere, the European Investment Bank (EIB) issued DM500m with a 6.625 per cent coupon and priced at 101.10. The five-year issue was described as tightly priced and was trading at 99.43/48 late in the day to yield 6.75 per cent, just outside the fees.

The stream of Canadian dollar deals continued yesterday. The C$125m, 10-year offer from the city of Montreal and C$300m three-year paper from Export Development Corp were both said to be aggressively priced with respect to comparable Canadian government bonds, and distribution was reportedly slow.

Syndicate managers said much of the recent Canadian dollar paper remained unplaced and that spreads had widened as a result.

For example, the spread on Crédit Foncier de France's C$200m deal launched last Friday was now at 53 basis points, compared with an initial 45.

See Lex

**NEW INTERNATIONAL BOND ISSUES**

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| Bayerische Vereinsbank(a)‡ | 75 | (a) | 100 | Jan.2003 | - | Kidder Peabody Intl. |
| D-MARKS | | | | | | |
| European Investment Bank | 500 | 6.625 | 101.1 | Feb.1998 | 1.625/1.25 | Hypobank |
| FRENCH FRANCS | | | | | | |
| Crédit Foncier de France(b) | 300 | 4 | 96.97 | Apr.2002 | 1 | JP Morgan & Co., Paris |
| STERLING | | | | | | |
| Abbey Natl.Treas.Services(c)‡ | 100 | (c) | 100 | Mar.1996 | 0.2/0.1 | Goldman Sachs Intl. |
| Halifax Building Society(c)‡ | 100 | (c) | 100 | Mar.1996 | 0.2/0.1 | UBS P&D Securities |
| Eksportfinans(c)‡ | 100 | (c) | 100 | Mar.1996 | 0.2/0.1 | Goldman Sachs Intl. |
| CANADIAN DOLLARS | | | | | | |
| Export Development Corp | 300 | 7.5 | 101.0975 | Mar.1996 | 1.375/1.275 | Paribas Cap.Mkts |
| Ville de Montreal | 125 | 9 | 100.875 | Mar.2003 | 2/1.625 | ScotiaMcLeod |
| ITALIAN LIRA | | | | | | |
| IMI International Cayman Is. | 150bn | 12.375 | 101.825 | Mar.1998 | 1.875/1.25 | IMI Bank Luxembourg |
| SWISS FRANCS | | | | | | |
| Home Wide Corp.(d)♦♦ | 30 | 1.675 | 100 | Feb.1997 | 1.625/1.375 | Nomura Bank(Switz.) |

Final terms and non-callable unless stated. ♦Private placement. ♦♦With equity warrants. ‡Floating rate note. a) Fungible from payment date with $100m launched on 8/1/93. Plus 18 days accrued interest. Price, fees undisclosed. Coupon pays 6-month Libor - 0.125%; minimum 5%, maximum 9.25%. b) Fungible with outstanding FFr1.1bn. Package includes detachable warrants to buy the 8.5% 2003 OAT. c) 7% fixed coupon for first 6 months and 12.375% - 6-month Libor thereafter. d) Final terms fixed on 9/2/93. Callable from 19/2/95 at 102%; declining by 0.5% semi-annually.

# Chinese stock exchanges consider computer links

THE Shanghai Stock Exchange may attempt to unify with the Shenzhen Stock Exchange, AP-DJ reports from Hong Kong.

China's official Xinhua news agency quoted the Shanghai exchange president, Mr Wei Wenyuan, as saying he would "enhance links" with the Shenzhen stock market. He suggested that a joint computer system would expand the business of both markets and erase some problems for investors.

Currently, the Shanghai and Shenzhen markets operate independently and under different rules. Shanghai operators have previously indicated an interest in bridging co-operation with Shanghai.

Shanghai's transaction volume hit a record Yn33.85bn ($5.98bn) in January and was 18 times above January 1991's level. Last year, turnover in Shanghai was Yn64.8bn, seven times higher than the year earlier.

● The first initial public offer this year of a company on the Shenzhen bourse has been planned for listing this month.

The simultaneous launch for both the domestic and foreign markets of Chiwan Harbour shares will be internationally lead-managed by Standard Chartered Asia and domestically by China Merchant Bank Securities.

The issue will raise a total of between Yn300m and Yn350m.

Standard Chartered and China Development Finance will underwrite the offer.

## MARKET STATISTICS

**FT/ISMA INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 3

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| [illegible] | | | | | |

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



**RISES AND FALLS YESTERDAY**

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 44 | 23 | 10 |
| Other Fixed Interest | 0 | 6 | 9 |
| Commercial, Industrial | 445 | 174 | 803 |
| Financial & Property | 350 | 35 | 414 |
| Oil & Gas | 34 | 8 | 43 |
| Plantations | 5 | 1 | 3 |
| Mines | 42 | 17 | 82 |
| Others | 69 | 11 | 29 |
| Totals | 989 | 275 | 1,393 |

**LONDON RECENT ISSUES**

**EQUITIES**

| Issue Price p | Am'nt Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | - | 108 | 103 | Fer. & Col. PEP Inv Tst | 108 | +1 | F3.38 | - | 4.2 | - |
| 51 | F.P. | - | 68 | 52 | Intl. Food Machinery | 63 | | - | - | - | - |
| £10¼ | F.P. | - | £10¼ | £10¼ | Mauritius Fund | £10¼ | | - | - | - | - |
| 50 | F.P. | - | 66 | 52 | OIS Intl | 66 | | N1.9 | 2.6 | 3.8 | 12.2 |
| - | F.P. | - | 2 | 1½ | ♦Prime People Warrants | 1½ | | - | - | - | - |
| - | F.P. | - | 240 | 225 | Scottish Asian Wts | 240 | +5 | - | - | - | - |

**FIXED INTEREST STOCKS**

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| 100p | F.P. | - | 120p | 115½p | Bristol Water 8¼pc Pf. | 120p | +½ |
| 100p | F.P. | - | 109p | 105½p | Commercial Union 8⅞pc Cm. Pf. | 109p | |
| 100 | F.P. | - | 114¼ | 109¼ | NFC 7¾pc Cv Bd 2007 | 110¾ | -¼ |

**RIGHTS OFFERS**

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 53 | Nil | 26/3 | 10¼pm | 7¼pm | ASDA | 8pm | -1¼ |
| 60 | Nil | 12/3 | 15½pm | 10pm | Barton | 11½pm | -3 |
| 25 | P.P. | 1/3 | 17 | 12 | Property Trust | 17 | +1 |
| 32 | Nil | 15/3 | 13pm | 9½pm | Stakis | 12½pm | +2 |
| 480 | Nil | 21/5 | 86pm | 58pm | Wessex Water | 86pm | +4 |

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ¶ Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

**TRADITIONAL OPTIONS**

● First Dealings Jan. 25
● Last Dealings Feb. 12
● Last Declarations May 6
● For settlement May 17

*3-month call rate indications are shown in Saturday editions.*

Calls in Arjo Wiggins, ASDA, Attwoods, Avesco, BTR wrrnts. '93/94, Cullens, ERF, Enterprise Computer, Fairhaven, Govett & Co, Greyhound, Holmes Protection, Kunick, Leigh Interests, ML Labs., Natl. Home Loans Pref., Norex, Pegasus, S.W. Wood, Tadpole Tech., TIP Europe, TR Tech., Tullow Oil and Wassall. Put in Cannon Street Invs. Doubles in Haemocell, Lep and Premier Cons.

## FT-SE ACTUARIES INDICES

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**LIFFE EQUITY OPTIONS**

| Option | | Calls | | | Puts | | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Stanhouse (*204) | 220 | 11 | 17 | 22 | 21 | 25 | 28 |
| Trafalgar (*93) | 90 | 11 | 14 | 18 | 8 | 9 | 13 |
| | 100 | 6½ | 11 | 14 | 12 | 17 | 18 |
| Utd. Biscuits (*366) | 360 | 18 | 25 | 33 | 19 | 25 | 29 |
| | 390 | 6 | 14 | 20 | 41 | 45 | 49 |
| Unilever (*1149) | 1100 | 72 | 90 | 110 | 16 | 35 | 42 |
| | 1150 | 39 | 60 | 82 | 42 | 56 | 63 |
| Option | | Feb | May | Aug | Feb | May | Aug |
| Brit Aero (*287) | 280 | 23 | 40 | 53 | 16 | 34 | 46 |
| | 300 | 14 | 33 | 47 | 27 | 49 | 60 |
| Barclays (*456) | 420 | 45 | 54 | 59 | 11 | 21 | 30 |
| | 460 | 20 | 33 | 38 | 33 | 41 | 51 |
| Blue Circle (*230) | 220 | 22 | 30 | 35 | 10 | 21 | 27 |
| | 240 | 12 | 19 | 27 | 22 | 33 | 39 |
| British Gas (*287) | 280 | 15½ | 19 | 23 | 6½ | 15 | 18 |
| | 300 | 6½ | 9½ | 14 | 18 | 27 | 30 |
| Dixons (*221) | 220 | 15 | 25 | 28 | 13 | 19 | 25 |
| | 240 | 8 | 17 | 21 | 26 | 31 | 38 |
| Eurotunnel (*435) | 420 | 38 | 55 | 70 | 20 | 35 | 45 |
| | 460 | 18 | 37 | 50 | 45 | 57 | 67 |

**FT-SE INDEX (*2872)**

| PUTS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |
| Feb | 1½ | 2½ | 4½ | 10 | 23 | 47 | 85 | 131 |
| [illegible] | 8 | [illegible] | 17 | 29 | 46 | 69 | 108 | 138 |
| Apr | 16 | 22 | 31 | 44 | 63 | 86 | 116 | 151 |
| May | 26 | 35 | 45 | 61 | 80 | 105 | 133 | 166 |
| Jun | - | 40 | - | 70 | - | 113 | - | 175 |
| Dec † | - | 90 | - | 125 | - | 185 | - | - |

February 3 Total Contracts 31,257 Calls 21,861 Puts 9,396 FT-SE Index Calls 7,946 Puts 4,410 Euro FT-SE Calls 816 Puts 278 *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

**FT-ACTUARIES FIXED INTEREST INDICES**

PRICE INDICES

| | | Wed Feb 3 | Day's change % | Tue Feb 2 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (23) | 128.93 | +0.13 | 128.77 | 1.16 | 1.67 |
| 2 | 5-15 years (23) | 147.41 | +0.11 | 147.25 | 1.82 | 1.81 |
| 3 | Over 15 years (8) | 153.12 | -0.10 | 153.27 | 1.41 | 1.28 |
| 4 | Irredeemables (6) | 173.44 | +0.20 | 173.10 | 2.60 | 0.00 |
| 5 | All stocks (60) | 143.42 | +0.09 | 143.29 | 1.55 | 1.67 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 185.83 | +0.04 | 185.75 | 1.34 | 0.00 |
| 7 | Over 5 years (11) | 167.88 | -0.03 | 167.93 | 0.63 | 0.62 |
| 8 | All stocks (13) | 169.09 | -0.02 | 169.12 | 0.72 | 0.55 |
| 9 | Debs & Loans (62) | 125.82 | -0.10 | 125.94 | 2.98 | 0.26 |

AVERAGE GROSS REDEMPTION YIELDS

| | | | Wed Feb 3 | Tue Feb 2 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 6.35 | 6.51 | 8.74 |
| 2 | Coupons | 15 years | 8.06 | 8.06 | 9.12 |
| 3 | (0%-7¾%) | 20 years | 8.40 | 8.40 | 9.12 |
| 4 | Medium | 5 years | 6.97 | 7.01 | 9.47 |
| 5 | Coupons | 15 years | 8.54 | 8.54 | 9.20 |
| 6 | (8%-10¾%) | 20 years | 8.75 | 8.74 | 9.15 |
| 7 | High | 5 years | 7.17 | 7.20 | 9.70 |
| 8 | Coupons | 15 years | 8.81 | 8.81 | 9.29 |
| 9 | (11%-) | 20 years | 8.91 | 8.90 | 9.21 |
| 10 | Irredeemables (Flat Yield) | | 8.81 | 8.82 | 9.32 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs | 2.17 | 2.18 | 3.92 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.71 | 3.71 | 4.29 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.37 | 1.37 | 3.28 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.53 | 3.53 | 4.11 |
| 15 | Debs & | 5 years | 8.73 | 8.68 | 10.92 |
| 16 | Loans | 15 years | 9.64 | 9.62 | 10.67 |
| 17 | | 25 years | 9.84 | 9.83 | 10.49 |

Corrected yields for January 27 and 28 can be obtained by telephoning FT Statistics on 071-873 3847

# Triplex seeks £17.3m via rights

By Paul Cheeseright, Midlands Correspondent

TRIPLEX LLOYD, the industrial engineering group, is asking shareholders for £17.3m through a 1-for-4 rights issue at 140p a share to finance expansion in its power and automotive and engineering divisions.

The price has been pitched at a discount of 33p to the overnight share price of 173p. It is just 7p above the bottom of the shares' 1992-93 trading range.

The rights issue is the second move in a financial reorganisation of the group. Last month it raised $35m (£23.1m) through a private placement on the US capital markets and, in the process, switched most of its short term debt into medium and long term borrowings at fixed rates of interest.

The cash call, first contemplated last October, constitutes what Mr Colin Cooke, chairman, called "a recharging of our batteries."

Mr John Foley, managing director, said: "We now have cash at fixed rates and the size of balance sheet to finance expansion and some small add-ons as well." The immediate effect, however, is to reduce gearing.

This had increased to 70 per cent, from 60 per cent last September, because of capital expenditure and increased needs for working capital.

It is expected to drop after the rights issue to just over 20 per cent, then rise to a peak of over 40 per cent for two years, before declining again.

Triplex Lloyd will be spending the proceeds over two years. Much will be devoted both to expanding and to raising the technological level of casting operations, both in the UK and the US.

The spending emphasises the group's policy, evident over the last two years, of concentrating on the development of its power and automotive and engineering businesses. This places a question mark over the future for the building products division.

The new shares will not attract the interim dividend, payable later this month, but will receive the final for the year to March 31 1993. The directors said they expected to hold the final distribution at 4.5p, maintaining total payments for the year at 7p.

However, the group would not expand further on trading prospects for the current year; at the time of the interim statement last December it said that prospects for the power division were rosy – there were "substantial opportunities for growth" – while it was cautious about the automotive and engineering sector and had seen no sign of an upturn in the building products market.

● COMMENT

The City expects pre-tax profits for the current year to be about £7m, roughly the same as in 1991-92. Short of any quick economic upturn, shareholders looking for a profits boost will have to rely on the ability of the management to carve out a larger market share in the power and automotive component markets. This is happening to some degree now but the process is unlikely to accelerate until the investment programme has worked through. That points to a quiet current year but greater excitement thereafter.

# Simon sells European consultancy for £10.5m

By Angus Foster

SIMON Engineering, which last August put its environmental division up for sale because of falling profits and worries about its dividend, yesterday announced the sale of its European environmental consultancy business to Northumbrian Water for £10.5m.

This follows last month's £14.2m disposal of its water and waste treatment arm to Thames Water.

The group, however, has been unable to find a buyer for the third part of its environmental division, the North American consultancy. Mr Brian Kemp, chief executive, said that would now be retained as a "profitable, stand alone business".

Analysts welcomed the sale, which would cut forecast year-end net borrowings of nearly £100m, equal to gearing of about 80 per cent. However, the change of heart on the North American division was seen as inconsistent and will reduce the overall proceeds expected from the disposal programme. The arm, known as Hydro-Search, was acquired for £6.7m in 1991.

Simon is due to announce results for 1992 next month. Pre-tax profits are expected to fall from £18.3m to between £10m and £12m because of recession in its process engineering and access divisions.

Speculation that it will have to cut the dividend, which was uncovered last year, knocked the shares from a high of 301p to a low of 70p last year. Yesterday, they gained 2p to 137p.

Net borrowings have almost doubled from £51m at the interim stage. This was mainly the result of advance payments in the process engineering division and devaluation of sterling, which increased the amount of US debt.

The disposals will reduce borrowings by about £30m because Thames Water assumed £6m of debt in its acquisition. Both sales should be completed when the results are announced but will not be reflected in the balance sheet.

# Kalon expands in Europe with £20m French deal

By Peter Pearse

KALON, the paints group, has expanded into the Continent with the acquisition of Novo Holdings and Novodec, its main trading subsidiary and the largest private label paint supplier in France.

The consideration amounts to FFr161m (£19.8m), including £2.2m of debt.

The acquisition comes five months after Kalon failed to acquire Manders (Holdings), its rival paint maker, in a hostile all-share offer valued at £106.1m at the launch of the bid.

Some £14m of the French acquisition is to be funded by the allotment of almost 12m new ordinary shares at 117p apiece and the balance in cash.

At the December 31 1992 year-end, Kalon had net cash balances of £12.3m: the pro forma effect of the acquisition will reduce that figure to £6.5m.

Mr Mike Hennessy, group managing director, said that the deal and the price had been "well received" in the City.

The shares rose 1½p to 123½p before the announcement and remained static since.

Mike Hennessy: acquisition was "a perfect fit"

Kalon accompanied the news of the acquisition with a forecast that 1992 profits – after interest and before both the Manders bid costs of £1.5m and tax – would be not less than £13m, an advance of at least 41 per cent on last time's £9.2m. It added that it intended to to pay a final dividend – for which the newly allotted shares would rank – of 2.2p to make a total of 3.2p (2.2p).

Mr Hennessy said the acquisition of Novodec was "a perfect fit". He said it was in the same position as Kalon in 1988: "strong in private label paints, but without any trade paint or decorative sundries business". Founded in 1975 by Galeries du Papier Peint and Windeck Paints – which ironically was acquired by Manders in December 1991 for £5.86m – Novodec was managed by Mr Graham Burke, who in 1982 became the majority shareholder. The French arm of 3i acquired a 22 per cent stake in 1990.

Under Kalon's ownership, the management will remain the same with the exception of Mr Burke, who is retiring and will be replaced as chairman by Mr Hennessy. He said Mr Burke had sold to Kalon, because it knew the business and its management and because Mr Burke wanted to preserve what he had created.

Novodec employs 140 people. Its paints sell throughout France, mostly in hyper- and supermarkets and DIY sheds. Post-tax profits for 1992 are expected to be FFr12m.

# Hillsdown sells poultry operation

By Maggie Urry

HILLSDOWN Holdings, the food group, has sold its Sandycroft poultry operation to Marshall Food Group, a private company based in Newbridge, Midlothian.

The price was not disclosed, but is thought to be under £10m.

Marshall is one of the largest poultry processing concerns in the UK and also makes convenience foods. It achieved turnover in the 1990-91 of £141m.

Hillsdown bought Sandycroft, which has 24 farms, a hatchery, a processing plant and a breeder unit, as part of the acquisition of JP Wood from Unigate a year ago.

The group said the sale was part of reorganisation of its own and Wood's capacity. That programme was not complete but Hillsdown said it was within timetable and budget.

The poultry market had been suffering from competitive imports until sterling left the Although the currency's fall meant feed costs were higher, Hillsdown said the improvement in the industry had helped its reorganisation programme.

Hillsdown shares were unchanged at 148p.

# WMI soars 49% to £144m

By Angus Foster

WASTE Management International, the UK-listed overseas arm of Waste Management of the US, has maintained its rapid growth helped by acquisitions.

It announced pre-tax profits ahead 49 per cent, from £96.4m to £143.7m, for 1992. Fourth quarter profits rose 36 per cent, from £30.1m to £40.9m.

Mr Edwin Falkman, chief executive, said the results were "very satisfying" against a difficult economic background. During the year the group made 25 acquisitions and raised £438m through a listing of 20 per cent of its shares. Waste Management and its subsidiaries retained 80 per cent.

Turnover increased 34.5 per cent to £816.6m (£606.9m). Almost half the rise came from acquisitions with the remainder stemming from volume and price increases, especially in the Netherlands, France and Italy.

Europe remained WMI's most important market, accounting for 77 per cent of turnover, while the proportion of sales in Italy declined from 48 per cent to 38 per cent as other markets grew.

Full year operating margins improved from 15.4 per cent to 15.7 per cent, although fourth quarter margins were affected by lower contributions from new acquisitions and seasonal factors.

Earnings were up 30 per cent to 23.3p (17.9p), partly reflecting the increased share capital since the initial public offering in April. WMI has said it will not pay dividends during its present, acquisition driven phase. This is likely to last for at least two or three years.

The shares, which were listed at 585p, jumped 27p to 702p.

See Lex

# BICC completes purchase of KWO

By Judy Dempsey in Berlin

BICC, the cables and construction group, yesterday announced it had completed the purchase of KWO, Germany's third largest cable maker.

KWO has been bought for DM58m (£24m) from the Treuhandanstalt, the agency responsible for privatising industry in eastern Germany.

The company, located around the industrial heartland of east Berlin, makes telecommunications cabling, signalling equipment and power cables. Nearly a fifth of its turnover is exported to eastern Europe and the former Soviet Union.

Mr David Hingston, managing director of the newly named KWO Kabel, said BICC was also committed to capital spending of DM80m by the middle of 1994, as part of the "huge restructuring costs" involved in making KWO competitive and profitable.

The Treuhand has borne the cost of redundancies as the workforce has been cut from 8,000 three years ago to 2,200.

Last year, KWO recorded turnover of DM320m, "a low figure because of the restructuring," Mr Hingston said. He added that the new company was expected to increase turnover to DM400m next year.

The management, which is largely British but will be predominantly German by the end of this year, stressed it was determined to increase productivity. Productivity is currently two thirds, and wages 60 per cent, of western German levels. The KWO acquisition has provided one of the outlets for the £154m BICC raised in a rights issue last May. It also bought a North American cables company and increased its stake in GEGC of Spain.

About 40 per cent of the turnover in BICC Cables (a separate division from the North American and Australasian cables operations) comes from continental Europe. The group had total turnover of £3.79bn in 1991.

# Application of FRS 3 hitting teething troubles says Capel

By Andrew Jack

TEETHING troubles are beginning to appear in the application by companies of FRS 3, the new accounting standard on the profit and loss account, City analysts James Capel said yesterday.

In a circular distributed to clients, the firm warned that a number of variations were creeping in to the implementation of the standard by different companies.

It stresses that users of accounts should not rely on the sub-totals shown in the new-style profit and loss account any more than on the new volatile earnings figure.

Capel, which has produced a detailed analysis of the effects of the new accounting standards, reiterates that earnings will be substantially higher under FRS 3 than the existing format.

Capel said that the ratio for industrial quoted companies in 1991 was 9 per cent lower using its own "continuing earnings" figure than using the figure calculated by FRS 3. It is 7 per cent lower for 1992.

Mr Paul Walton, a Capel analyst, said there was a risk that companies would take advantage of FRS 3 to present their results in the best possible light.

The Capel document cites BOC, which by highlighting its early adoption of FRS 3 and a large goodwill write-off, attracted little attention to a substantial provision it made to rationalise its healthcare business.

Capel also announced its own formulae for calculating a continuing earnings figure and a cash flow per share figure.

Its earnings per share figure will take the FRS 3 earnings figure and exclude costs in closure or withdrawal from a business segment, gains or losses on disposals and some other specific unusual items.

Its cash flow figure will take net cash inflow from operations, add returns on investment or servicing of finance, and deduct tax, dividends paid and movements in working capital.

It hints that the Accounting Standards Board's forthcoming discussion document on acquisition accounting due out next month may well limit any revaluations to certain assets such as properties, and to larger and listed companies.

# Founding family reduces Stakis stake

By James Buxton

The Stakis family is reducing its stake in Stakis, the hotels and casinos group founded by Sir Reo Stakis, by taking up only a small proportion of the £28m rights issue announced last week.

Yesterday the joint brokers, Smith New Court and Allied Provincial, placed 21.29m of the family's rights shares at 9¾p each. The effect will be to reduce the family stake from 24 per cent to 18 per cent.

Privately, company officials welcome the chance to increase institutional shareholdings in the group, which returned to marginal profit last year.

# Airtours shares slip below underwritten level

By Richard Gourlay

SHARES IN Airtours, locked in a £212m hostile bid for rival holiday company Owners Abroad, yesterday slipped back below the level at which its partial cash alternative has been underwritten.

In thin trading, the shares closed down 4p at 284p, below the 288p price at which Barclays de Zoete Wedd and British Linen Bank have underwritten the issue.

Owners Abroad's share price was unchanged at 116p, a 10p premium to the current value of Airtours' paper offer.

City analysts said technical swapping from Airtours ordinary shares to convertible stock could explain part of the fall from a level of about 300p last week.

The fall could also reflect growing anticipation that the Department of Trade and Industry will not recommend Airtours' bid for referral to the Monopolies and Mergers Commission.

A referral could mean that Airtours will withdraw from the bid. If successful, Airtours and Owners Abroad would have combined sales of about £1.6bn – a dramatic increase in the size of the company.

Even if there is no referral, the Owners Abroad share price suggests Airtours may have to increase its 3-for-8 share offer, or sweeten the deal to include a more generous cash alternative.

# Laporte secures 78.3% of Evode

Laporte, the speciality chemicals company, said yesterday that its ordinary offer for Evode had been declared unconditional.

By 3pm on February 3, it either held or had received acceptances in respect of 56.9m Evode ordinary shares, or 78.3 per cent of the chemicals and plastics group's issued capital.

Similarly, it had received acceptances in respect of 29.2m Evode preference shares, of 71.7 per cent of the issued convertible preference share capital. Laporte does not hold any Evode preference shares. The offers will remain open for acceptances until further notice.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Castle Cairn Inv ....fin | 0.8 | Apr 2 | 0.75 | 0.8 | 0.75 |
| Seacon § ....fin | 3.1 | Apr 2 | 2.7 | 5.1 | 4.2 |

Dividends shown pence per share net except where otherwise stated. §USM stock.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Allied Leisure, Bristol Channel Ship Repairers, Cock (DC), TR City of London Trust.

Finals- Burlington, Headrow Brewery.

FUTURE DATES

Interims-
Foster's Brewing ........ Feb. 16
[illegible] ........ Feb. 8
[illegible] ........ [illegible]

Finals-
Baring Tribune ........ Feb. 16
Hambro Countrywide ........ Mar. 4
Leslie Wise ........ Feb. 16
Lonrho ........ Feb. 11
Pacer Systems ........ Mar. 2
T&N ........ Mar. 16

COMPANY NEWS: UK

# Holliday gears up for future growth

## As the chemicals company approaches its flotation **Richard Gourlay** looks at its history and prospects

THE FLOTATION this March of Holliday Chemical Holdings, the synthetic dyestuffs and speciality chemicals company, has conjured up a memory of the past. With the cost of debt tumbling for companies strong enough to part banks from their cash, equity is becoming an expensive way of raising capital.

As a result, a subtle change of attitude towards high gearing may be emerging. After three years in which high debt levels have been as acceptable in the City as smoking before the Queen, gearing – the financial engineers' best friend – may be about to stage a come back.

Mr Michael Peagram, chairman and chief executive of Holliday, is pondering exactly these issues with his advisers but jokes that he would hate his company to have net cash in the bank.

He can only afford the luxury of this debate as he approaches a flotation, which will value the company at about £140m, because of Holliday's impressive history.

Over the five-year period since Mr Peagram, a doctor of Chemistry, led a management buy-out of Holliday Dyes & Chemicals, sales have risen five-fold to an estimated £100m in 1992.

Operating profits over the same period have grown to about £13.6m, partly as a result of five acquisitions. But Mr Peagram is also at pains to point out that the company has grown organically every year by 10-15 per cent and last year by 20 per cent.

Michael Peagram: company has grown organically every year

This organic growth is the secret to Holliday Chemical's appeal and the reason, City observers say, why Mr Peagram's acquisitive ways are likely to receive a warm welcome among investors.

According to Mr David Ingles, chemical analyst at stockbrokers James Capel, the Holliday management has developed a knack not only of spotting and acquiring companies, but running them efficiently and imaginatively.

Often these companies have performed noticeably better under Holliday than their previous owners. Examples include the acquisition from Hickson International in 1987 of James Robinson and William Blythe, the metal salts company, bought in 1991 also from Hickson.

As the company has grown, Mr Peagram says he has stuck to a strategy of building large shares of niche markets and avoiding direct competition with the major chemical companies.

Holliday's transition into quoted life will be facilitated by the fact that Mr Peagram and a number of the group's companies have already been in the public arena. He was managing director of Croda Chemicals Division until 1985 when he took a 25 per cent stake in Holliday Dyes and Chemicals, a loss-making company with sales of £8m.

Two years later, Peagram led a management buy-out of Holliday backed by institutions including 3i. The transaction left Mr Peagram with a 28 per cent stake.

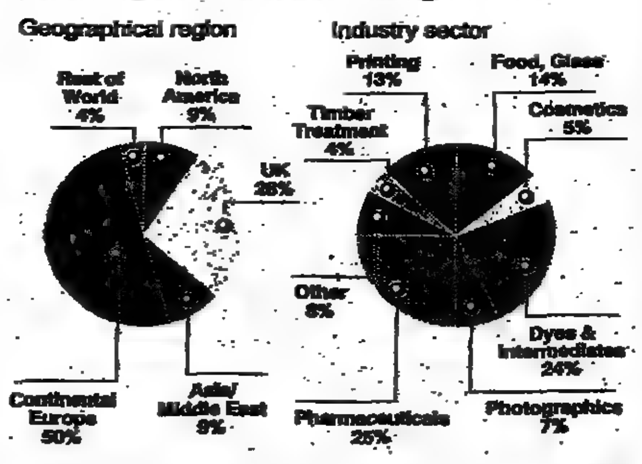
This stake is likely to be reduced to approximately 20 per cent. The flotation should raise about £60m, half of which will go to the existing investors; some £30m would be used to substantially reduce debt to about £19m, against equity of about £41m.

This is where the debate begins over the shape of Holliday's balance sheet. Raising about £60m would lead to relatively high gearing – about 50 per cent. Mr Peagram says this is not high when viewed in the light of the nine times interest cover.

However comfortable the market might be with this level of debt – and it does still focus on balance sheet gearing, not just interest cover – Holliday could face problems with further expansion.

Mr Peagram has said he is not interested in acquisitions smaller than about £10m. But if Holliday paid £20m for a company, and took a goodwill write-off equal to about £10m, gearing could easily rise above 100 per cent.

**Holliday Chemical Holdings sales**




Mr Peagram says he is aware of this problem. Holliday's balance sheet is already weakened by write-offs taken at the time of earlier acquisitions, he says. If he wanted to make such an acquisition, he would have to convince the City he was telling a good story.

The solution of raising more money at flotation, however, goes against the grain with Mr Peagram.

That said, Holliday does not anticipate making any acquisitions imminently. "There is not a lot that we are not able to do now," says Mr Peagram. "We probably will raise more at various times but there is no acquisition contemplated."

He says that even if he was so-minded, an acquisition would not be physically possible until the back end of the third quarter because the flotation has taken up so much time.

Mr Peagram is also aware that some City observers will compare Holliday with another speciality chemicals company that grew rapidly through acquisition but fell heavily from grace last year – MTM.

While MTM's problem stemmed from the fact that large amounts of profit were an illusion, Mr Peagram is well prepared to highlight other differences.

He says he likes to sleep at night and has adopted very conservative accounting policies; among the techniques MTM employed was the capitalisation of project development costs. He would be reluctant to sell any of his companies; the MTM stable was forever changing. Holliday's board is relatively unchanged; at MTM, board seats changed frequently.

And Richard Lines, MTM's founder and chairman, had a very clear objective, says Mr Peagram: "He wanted to have a billion dollar turnover."

Mr Peagram says his objectives are altogether more modest – just as long as he is not forced to head a company that has no debt.

# Springboard for a jump into international markets

## **Andrew Baxter** reports on Jacobs Engineering's ambitions for the future of Humphreys & Glasgow

THE RECENT purchase of Humphreys & Glasgow, one of the most famous names among UK process plant contractors, has given Jacobs Engineering Group of the US a springboard for its European ambitions.

Terms were not disclosed, but the takeover by the eighth largest engineering and construction contractor in the US is the most important in the industry since Trafalgar House acquired Davy in the summer of 1991.

The immediate circumstances of the takeovers are different – Davy was laid low by one disastrous contract while H&G has been struggling to make money in a generally difficult business climate for UK process plant contractors – but the underlying trends are similar.

Big European and US clients, says Mr Noel Watson, Jacobs' president, are investing on both sides of the Atlantic, and want contractors to be able to handle the job wherever it is built. But the relationship only works if the contractor stays close to the customer.

The takeover unites two very different companies. H&G, founded 100 years ago, was a private company run for more than 40 years by the eccentric Mr Ambrose Congreve, son-in-law of its founder. It hit problems in the 1970s and was acquired by Enserch, the US energy company, in 1983.

Pasadena-based Jacobs, meanwhile, has grown from a one-man consultancy founded by Dr Joseph Jacobs in 1947 to a company with 14,000 employees, and revenues last year of $1.1bn (£700m). Publicly-quoted, the company is one of the world's few "pure plays" for investors in the risky business of E&C contracting.

The deal seems to makes sense for both companies. Enserch was a good parent from a financial perspective, says Mr Frank Hart, H&G's managing director, but could not provide the additional benefits of a common process contracting background.

Also, the sale in February of H&G's offshore contracting business left the company at "a pretty uncomfortable size" of about 450 employees, excluding its 40 per cent-owned Indian business, Humphreys & Glasgow Consultants Private.

"Worldwide, the industry is splitting into two, large broadly-based contractors and niche contractors," says Mr Hart.

Mr Watson also sees clear benefits from the takeover. Jacobs has principally been a domestic US contractor, with only 10 per cent of its work coming from overseas, but after a period of unprecedented growth at home Mr Watson now sees stronger growth in Europe, and wants a bigger international market place. A further acquisition on the Continent is a possibility.

Jacobs had established an office in the Irish Republic in 1974 after building a plant there for Syntex, the US pharmaceuticals group. But now Mr Watson wants to be able to serve big European clients on their home continent as well as in the US.

Similarly, Jacobs wants to follow more of its US clients when they invest in Europe – such as Intel for which Jacobs is building a $175m wafer fabrication plant at Kildare.

To do this Mr Watson and Mr Hart aim to marry the skills of H&G and Jacobs, so that each can help the other on both sides of the Atlantic. H&G bring Jacobs its expertise in methanol and ammonia technology, while both companies are strong in fine chemicals and pharmaceuticals where the growth prospects are strongest.

One of Jacobs' strengths is in environmental engineering and clean-up work. This is a big business in the US and Mr Watson hopes to export the expertise to Europe. Cleaning up sites after military activity is one of Jacobs' specialities, which could be put to use in eastern Germany following the withdrawal of the former Soviet Army.

Mr Watson is also keen to win contracts financed by the $500m that the US Congress has earmarked for environmental clean-up work in the Commonwealth of Independent States.

Not all of this will happen overnight, but the process of interchanging skills has already begun, and is a crucial element in improving H&G's financial performance.

Frank Hart: believes H&G could be in the black from mid-year

The Croydon-based company has been losing money for several years – one reason why Enserch lost patience – while Jacobs' net earnings have soared from $6.5m in 1988 to $26.6m in the year ended September 30.

With the integration of the company under way, Mr Hart believes H&G could be in the black from mid-year.

Market conditions look like working in the company's favour – Mr Hart's trip round the UK with Mr Watson suggested customers were showing a little more confidence.

NEWS DIGEST

## Huntingdon up in first quarter

HUNTINGDON International Holdings, which is engaged in life sciences, biological safety testing and engineering and environmental services, reported pre-tax profit of £3.73m for its first quarter to December 31.

The outcome marked a modest advance on the comparable £3.58m and came on sales ahead 39 per cent at £40.1m (£28.9m), net of subcontract costs.

Mr Bennie Wooley, chairman, said the group entered 1993 with signs of better prospects for both the US and UK economies later in the year.

He believed the long term outlook for the company remained good.

Earning per share were unchanged at 2.9p.

### 37% increase lifts Seacon to £2.3m

Improved results in all its divisions enabled Seacon, the USM-traded transport and freight group, to lift turnover 6 per cent and pre-tax profit 37 per cent in the year ended September 30 1992.

In view of the increase and to mark the group's confidence in the future – Mr Chris Roth, chairman, thinks "the recession has bottomed out" – the dividend is raised from 4.2p to 5.1p with a final of 3.1p.

Earnings per share improved from 12.05p to 15.92p.

In percentage terms the largest profit increases were achieved by Seacon and Forestrans.

At the end of the year sterling was devalued. However, for the bulk of the period the steady sterling/D-Mark relationship and declining fuel prices helped the fleet to be operated more efficiently.

Mr Roth said profits for the first quarter of the current year were marginally down, after being affected by adverse weather conditions in October and again last month.

### Net asset growth for Castle Cairn

Over the 12 months ended December 31 1992 net asset value per share at Castle Cairn Investment Trust rose by 14.2 per cent, from 43.58p to 49.78p.

That reflected the trust's substantial commitment to overseas markets maintained throughout the year, as well as the surge in the UK equity market over the last four months of 1992 prompted by the departure of sterling from the ERM.

The revenue account showed total income of £243,000 (£222,000). Earnings per share worked through at 0.85p (0.79p) and the dividend is 0.8p (0.75p).

### Suspension of EIT shares at 9½p

Dealings in the shares of EIT, the USM-quoted information technology group, were suspended yesterday at 9½p pending clarification of the company's financial position.

The group, formerly known as Maxiprint, reduced its pretax losses from £246,000 to £190,000 in the year to March 31 1992.

### Pelican acquires Fulham Road lease

Pelican Group, the restaurateur, has acquired the lease of 855 Fulham Road, London, SW6, currently occupied by the group and trading as a Cafe Rouge restaurant.

Consideration for the 25 year lease was 394,737 Pelican ordinary shares which, with the share price closing unchanged at 40p last night values the deal at about £158,000.

The acquisition of the lease will result in a rental saving of about £27,000 a year.

### Racal Data awarded NRHA contract

Racal Data Networks has been awarded a contract by the Northern Regional Health Authority for Racal to carry data relating to stores information, purchasing and procurement systems.

Also offered as part of the service is access to X.400 standard store-and-forward messaging as well as direct access to the Healthlink network and users.

NRHA covers Cleveland, Tyne & Wear, Northumberland, Durham and Cumbria and within this there are more than 60,000 NHS employees.

# Northumbrian Foods delays announcement of interims

By Maggie Urry

NORTHUMBRIAN Fine Foods, the biscuit and snacks group, set the stock market a puzzle last night. It was to have announced interim results yesterday but during the day made last minute cancellations of meetings set up with analysts and the press.

After the stock market closed yesterday, with the shares unchanged on the USM at 19p, the company announced it was "involved in discussions in respect of a reorganisation of the group". These talks "are to be concluded shortly.

"They are expected to have a material effect on the group's interim results for the six months to September 30."

No further explanation was forthcoming from the group, although the mystery may be solved today.

The group's shares have fallen from 43p last June when Mr Richard Adams, the then chairman and chief executive, resigned. A new chief executive, Mr Henry Roberts, was appointed in October.

Analysts suggested that the talks might be with the group's bankers and the new man may be trying to raise some cash, although a rights issue is said to be out of the question. They speculated that the group was trying to sell part of the business or that the interim figures might be affected by provisions relating to a reorganisation.

The group had an exceptional charge of £550,000 in the 1991-92 accounts, and also made adjustments to the balance sheet relating to the acquisition in 1991 of John J Lees, a confectionery maker, for £4.8m.



## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

| | Indl. prod. | Mfg. output | Eng. order* | Retail vol. | Retail value* | Unem-ployed | Vacs |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| 1st qtr. | 106.7 | 113.4 | 31.8 | 120.0 | 139.8 | 1,969 | 135.6 |
| 2nd qtr. | 106.2 | 112.4 | 31.4 | 118.6 | 147.7 | 2,231 | 111.2 |
| 3rd qtr. | 106.3 | 112.5 | 30.6 | 119.7 | 149.8 | 2,414 | 107.9 |
| 4th qtr. | 106.2 | 110.6 | 29.9 | 119.6 | 175.4 | 2,515 | 114.1 |
| November | 106.2 | 111.0 | 30.9 | 120.4 | 169.0 | 2,518 | 111.6 |
| December | 105.6 | 110.8 | 29.9 | 118.3 | 203.6 | 2,551 | 123.3 |
| 1992 | | | | | | | |
| 1st qtr. | 105.3 | 111.1 | 30.8 | 118.6 | 145.9 | 2,635 | 119.8 |
| 2nd qtr. | 104.9 | 111.5 | 31.0 | 120.0 | 153.6 | 2,712 | 115.2 |
| 3rd qtr. | 105.7 | 111.4 | 30.5 | 120.7 | 154.3 | 2,805 | 107.0 |
| January | 104.7 | 110.1 | 31.1 | 119.7 | 144.9 | 2,607 | 115.1 |
| February | 106.1 | 111.2 | 31.4 | 120.1 | 145.2 | 2,645 | 120.8 |
| March | 105.1 | 111.6 | 30.8 | 118.8 | 147.3 | 2,653 | 120.2 |
| April | 105.6 | 111.8 | 31.1 | 119.7 | 154.8 | 2,695 | 117.6 |
| May | 104.5 | 111.2 | 31.6 | 120.0 | 152.9 | 2,718 | 115.2 |
| June | 104.5 | 111.6 | 31.0 | 120.3 | 153.1 | 2,724 | 112.5 |
| July | 105.6 | 111.7 | 31.5 | 119.9 | 155.0 | 2,760 | 112.6 |
| August | 105.5 | 111.4 | 31.2 | 121.0 | 154.0 | 2,811 | 106.4 |
| September | 106.9 | 111.7 | 30.5 | 121.3 | 153.9 | 2,842 | 100.1 |
| October | 107.0 | 111.3 | | 121.5 | 160.1 | 2,868 | 98.2 |
| November | 106.3 | 110.7 | | 121.5 | 172.6 | 2,913 | 108.6 |
| December | | | | 120.7 | 211.0 | 2,974 | 109.1 |

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100), housing starts (000s, monthly average)

| | Cnsmr. goods | Invest. goods | Intmd goods | Eng. output | Metal mnfg. | Textiles etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| 1st qtr. | 110.4 | 117.1 | 101.4 | 113.8 | 108.0 | 89.4 | 12.3 |
| 2nd qtr. | 110.0 | 114.5 | 99.9 | 111.3 | 111.0 | 87.9 | 14.3 |
| 3rd qtr. | 109.4 | 114.1 | 102.2 | 110.5 | 111.2 | 87.6 | 14.3 |
| 4th qtr. | 108.5 | 111.7 | 103.2 | 108.2 | 109.4 | 86.4 | 11.8 |
| November | 107.8 | 112.6 | 103.7 | 109.0 | 110.0 | 87.0 | 12.0 |
| December | 109.2 | 111.6 | 102.4 | 108.0 | 109.0 | 86.0 | 9.2 |
| 1992 | | | | | | | |
| 1st qtr. | 110.3 | 110.6 | 101.4 | 107.8 | 107.3 | 86.5 | 14.0 |
| 2nd qtr. | 111.4 | 111.0 | 99.9 | 108.3 | 107.6 | 87.5 | 14.5 |
| 3rd qtr. | 110.9 | 111.8 | 101.3 | 108.3 | 105.7 | 88.0 | 13.0 |
| January | 108.9 | 108.6 | 101.7 | 107.0 | 106.0 | 86.0 | 14.0 |
| February | 110.8 | 110.7 | 102.3 | 108.0 | 109.0 | 87.0 | 13.1 |
| March | 111.0 | 110.8 | 100.6 | 108.0 | 107.0 | 87.0 | 14.8 |
| April | 111.1 | 111.5 | 101.1 | 109.0 | 108.0 | 87.0 | 14.0 |
| May | 111.8 | 110.4 | 98.5 | 108.0 | 110.0 | 88.0 | 14.7 |
| June | 111.7 | 111.2 | 99.8 | 108.0 | 105.0 | 88.0 | 15.5 |
| July | 111.3 | 111.7 | 101.0 | 108.0 | 107.0 | 87.0 | 14.1 |
| August | 110.8 | 112.0 | 101.2 | 108.0 | 109.0 | 89.0 | 12.4 |
| September | 111.6 | 111.6 | 101.8 | 108.0 | 101.0 | 89.0 | 12.4 |
| October | 110.7 | 112.4 | 103.5 | 109.0 | 103.0 | 89.2 | 11.6 |
| November | 110.8 | 111.1 | 103.1 | 108.0 | 103.0 | 88.0 | 11.8 |

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms of trade* | Reserves US$bn |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| 1st qtr. | 122.6 | 136.8 | -3,040 | -2,914 | +217 | 98.9 | 42.33 |
| 2nd qtr. | 128.0 | 137.6 | -2,224 | -424 | +213 | 98.2 | 44.28 |
| 3rd qtr. | 127.8 | 139.6 | -2,395 | -1,201 | +319 | 98.0 | 44.59 |
| 4th qtr. | 128.3 | 138.2 | -2,631 | -1,794 | +405 | 97.8 | 44.13 |
| November | 128.3 | 139.3 | -860 | -702 | +167 | 97.8 | 43.91 |
| December | 132.1 | 141.0 | -727 | -442 | +188 | 98.6 | 44.15 |
| 1992 | | | | | | | |
| 1st qtr. | 127.1 | 143.1 | -3,046 | -2,060 | +422 | 99.4 | 44.31 |
| 2nd qtr. | 128.4 | 147.8 | -3,161 | -3,061 | +505 | 100.8 | 45.70 |
| 3rd qtr. | 130.5 | 146.3 | -3,226 | -2,172 | +367 | 101.7 | 42.88 |
| 4th qtr. | 132.2 | 146.3 | -4,368 | -3,766 | +348 | 96.8 | 41.66 |
| January | 121.4 | 137.0 | -1,153 | -1,061 | +149 | 99.0 | 44.58 |
| February | 130.3 | 147.3 | -1,099 | -846 | +172 | 99.9 | 44.76 |
| March | 130.0 | 145.1 | -889 | -637 | +179 | 99.4 | 44.31 |
| April | 128.0 | 150.9 | -1,391 | -1,346 | +117 | 100.2 | 45.77 |
| May | 133.2 | 144.3 | -834 | -920 | +167 | 101.1 | 45.88 |
| June | 127.1 | 146.0 | -946 | -913 | +71 | 101.8 | 45.70 |
| July | 128.2 | 149.1 | -1,115 | -735 | +43 | 101.6 | 45.76 |
| August | 132.4 | 149.8 | -1,140 | -784 | +246 | 102.3 | 44.45 |
| September | 129.9 | 145.7 | -985 | -658 | +78 | 101.1 | 42.88 |
| October | 134.3 | 144.8 | -1,182 | -902 | +165 | 97.2 | 42.14 |
| November | 133.3 | 145.7 | -1,413 | -1,213 | +87 | 96.4 | 41.98 |
| December | 128.6 | 147.8 | -1,741 | -1,541 | +88 | 96.2 | 41.85 |
| 1993 | | | | | | | |
| January | | | | | | | 42.58 |

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; Clearing Bank base rate (end period).

| | M0 % | M2 % | M4 % | Bank lending £m | BS inflow* £m | Cnsmr. credit† £m | Base rate % |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| 1st qtr. | 2.9 | 10.2 | 10.8 | +12,189 | 2,085 | +486 | 12.50 |
| 2nd qtr. | 1.7 | 11.8 | 8.8 | +7,796 | 2,555 | +477 | 11.50 |
| 3rd qtr. | 2.0 | 11.0 | 7.1 | +8,808 | 739 | +282 | 10.50 |
| 4th qtr. | 2.6 | 9.6 | 6.1 | +7,966 | 495 | -104 | 10.50 |
| November | 3.0 | 9.6 | 5.7 | +4,079 | -49 | +22 | 10.50 |
| December | 3.1 | 8.2 | 5.3 | +1,937 | -84 | -138 | 10.50 |
| 1992 | | | | | | | |
| 1st qtr. | 2.2 | 7.2 | 5.0 | +5,486 | 296 | +120 | 10.50 |
| 2nd qtr. | 2.0 | 4.8 | 5.3 | +9,917 | 77 | +38 | 10.00 |
| 3rd qtr. | 2.2 | 4.2 | 5.3 | +4,604 | -252 | -19 | 9.00 |
| January | 3.1 | 7.8 | 5.2 | +2,344 | 285 | +18 | 10.50 |
| February | 2.2 | 7.4 | 5.5 | +1,194 | 148 | +88 | 10.50 |
| March | 2.5 | 6.7 | 5.6 | +877 | -172 | +15 | 10.50 |
| April | 2.5 | 5.2 | 5.6 | +4,306 | 212 | +26 | 10.50 |
| May | 2.5 | 4.8 | 5.1 | +2,724 | 179 | +88 | 10.00 |
| June | 1.5 | 4.2 | 5.3 | +2,896 | -314 | -56 | 10.00 |
| July | 2.6 | 4.5 | 5.7 | +2,943 | -335 | +79 | 10.00 |
| August | 2.4 | 4.5 | 5.5 | +2,342 | 327 | -36 | 10.00 |
| September | 2.1 | 3.5 | 4.8 | -581 | -394 | -65 | 9.00 |
| October | 2.4 | 3.7 | 5.4 | +5,020 | 261 | +75 | 8.88 |
| November | 3.0 | 2.8 | 4.6 | -88 | -784 | +15 | 7.00 |
| December | 3.0 | | 3.7 | -74 | 117 | | 7.00 |

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

| | Earnings | Basic matls.* | Whsale. mnfg.* | RPI* | Foods* | Reuters cmdty.* | Sterling* |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| 1st qtr. | 126.6 | 102.0 | 130.8 | 130.8 | 123.0 | 1,668 | 93.8 |
| 2nd qtr. | 128.1 | 103.4 | 133.1 | 133.5 | 126.1 | 1,737 | 91.4 |
| 3rd qtr. | 130.6 | 101.5 | 133.9 | 134.2 | 125.7 | 1,680 | 90.7 |
| 4th qtr. | 132.4 | 102.5 | 134.8 | 135.6 | 125.5 | 1,626 | 90.9 |
| November | 133.0 | 102.8 | 134.7 | 135.6 | 125.8 | 1,631 | 91.0 |
| December | 133.3 | 103.4 | 134.8 | 135.7 | 127.2 | 1,600 | 91.2 |
| 1992 | | | | | | | |
| 1st qtr. | 136.8 | 102.8 | 136.5 | 136.2 | 129.0 | 1,590 | 90.6 |
| 2nd qtr. | 136.1 | 102.2 | 137.9 | 139.1 | 128.1 | 1,596 | 92.3 |
| 3rd qtr. | 137.5 | 100.7 | 138.6 | 139.0 | 127.3 | 1,542 | 90.9 |
| 4th qtr. | | 106.5 | 139.1 | 139.8 | 127.7 | 1,548 | 79.8 |
| January | 134.8 | 103.2 | 135.8 | 135.6 | 128.4 | 1,588 | 90.5 |
| February | 135.7 | 103.2 | 136.3 | 136.3 | 129.1 | 1,586 | 90.9 |
| March | 137.6 | 102.2 | 137.3 | 136.7 | 129.4 | 1,615 | 90.1 |
| April | 135.5 | 102.7 | 137.8 | 138.8 | 128.9 | 1,614 | 91.4 |
| May | 136.6 | 102.2 | 137.9 | 139.3 | 128.6 | 1,592 | 92.8 |
| June | 136.3 | 101.8 | 138.1 | 139.3 | 129.0 | 1,586 | 92.8 |
| July | 136.4 | 101.0 | 138.4 | 138.8 | 127.2 | 1,566 | 92.5 |
| August | 138.0 | 100.0 | 138.5 | 138.9 | 127.5 | 1,530 | 92.0 |
| September | 138.2 | 101.0 | 138.6 | 139.4 | 127.1 | 1,548 | 88.2 |
| October | 140.1 | 103.7 | 138.7 | 139.9 | 127.4 | 1,610 | 80.8 |
| November | 139.1 | 107.0 | 139.2 | 139.7 | 127.3 | 1,638 | 78.3 |
| December | | 108.8 | 139.3 | 139.2 | 126.4 | 1,575 | 80.6 |

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

## PUBLIC WORKS LOAN BOARD RATES
Effective February 2

| Years | Quota loans* EPI† | At†† | at maturity§ |
|---|---|---|---|
| 1 | | | 5¾ |
| Over 1 up to 2 | 5⅞ | 5⅞ | 6¼ |
| Over 2 up to 3 | 6⅛ | 6⅛ | 6⅝ |
| Over 3 up to 4 | 6⅜ | 6⅜ | 7 |
| Over 4 up to 5 | 6½ | 6⅝ | 7⅛ |
| Over 5 up to 6 | 6¾ | 6¾ | 7¾ |
| Over 6 up to 7 | 6⅞ | 7 | 8⅛ |
| Over 7 up to 8 | 7⅛ | 7⅛ | 8⅜ |
| Over 8 up to 9 | 7¼ | 7½ | 8¾ |
| Over 9 up to 10 | 7½ | 7⅝ | 9 |
| Over 10 up to 15 | 8⅛ | 8⅞ | 9⅝ |
| Over 15 up to 25 | 9⅛ | 9¾ | 9⅞ |
| Over 25 | 9⅜ | 9⅞ | 9⅞ |

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

## COMMODITIES AND AGRICULTURE

# 'Russian farmers needs more aid'

By Leyla Boulton in Moscow

MR VIKTOR Khlystun, Russia's agriculture minister, said yesterday the state would need to spend far more than the Rbs160bn (£185m) announced last week in extra subsidies to help farmers feed the country.

If the ailing budget could not be stretched any further, Mr Khlystun proposed levying a 3 per cent tax on the profits of enterprises in other sectors of the beleaguered economy to raise money for agriculture, which remains dominated by state and collective farms.

Mr Khlystun said Rbs600bn was needed just to help peasants meet fuel and equipment bills so they could get on with sowing. That was because much of their revenue existed only on paper because they were still owed money by other debt-burdened enterprises.

He said the problems were particularly acute in milk and meat production, which had fallen by 18 per cent last year, compared with a general decline in agricultural output of 8 per cent.

He said he would propose a more effective mechanism for distributing subsidies in a couple of months. "If you produce better quality meat for instance, you will get a higher subsidy," he told a news conference. His ultimate goal was to shift subsidies from producers to consumers but he said that would not possible until the country developed a social welfare system capable of distributing subsidies to the worst off in society.

Agriculture has been severely affected by a "scissors crisis" under which the price of finished goods, including agricultural equipment, had risen more sharply than prices paid to peasants.

Before last week's package, initially estimated to cost Rbs160bn, Russia's budget deficit for 1993 had been projected at Rbs3.5 trillion (million million), the amount the government sees as the limit for lowering it to 5 per cent of gross domestic product from unofficial estimates of 10 to 15 per cent last year.

Mr Khlystun said government farm subsidies, expected to reach Rbs430bn in the first half of this year, would "not be significantly higher" than the Rbs128bn promised and paid for the whole of 1992, if inflation was taken into account.

# No extra money to ease EC reforms

By David Gardner in Brussels

THE EUROPEAN Community's new agriculture commissioner, Mr Rene Steichen, warned yesterday there would be no extra money to meet the wish-lists of European farm organisations in the wake of last year's reform of the Common Agricultural Policy.

*Mr Steichen was presenting* price proposals for the coming farming year, which were approved by the European Commission yesterday after barely 15 minutes of procedural discussion.

This unaccustomed speed was because the prices of the main commodities were predetermined by last year's reform of the CAP, which embodies heavy price cuts over the next three years, for which farmers will be compensated in direct income payments. Most products outside the reform will have their prices rolled over from last year.

The CAP will cost some Ecu35.1bn (£29m) this year, up over Ecus3bn, and Mr Steichen warned that "room for manoeuvre as far as additional demands are concerned is virtually non-existent".

*He cited the cost of financing* the reform, and a tighter farm spending ceiling because of lower-than-expected EC growth, as two reasons for fiscal stringency. But he also implicitly blamed EC farm ministers for overriding commission recommendations and retaining the costly "switchover" mechanism.

This gives price increases to most farmers each time an EC currency is devalued, leading to price rises of over 20 per cent in the past six years. After the last six months of currency turbulence, the commission estimates that "switchover" will cost Ecus1.15bn this year and Ecus1.55bn in 1994.

Yesterday's message was particularly unwelcome in Paris. The French government, facing defeat in next month's general assembly elections, was hoping for additional concessions for its farmers to sugar the pill of the CAP reform, and the controversial cuts in subsidised exports the EC will have to make under the Uruguay Round world trade liberalisation negotiations if these are concluded this year.

Copa, the EC big farm lobby, denounced the price proposals as "an additional burden on European farmers".

Price cuts under the CAP reform will fall most heavily on cereals, which commission officials say could come down by as much as 22 per cent on this year's market, on their way to a reduction of about a third over three years. This cut is supposed to be distributed more evenly over the three years, but adjustments to the intervention regime and changing standards between different types of grain will reduce prices faster, officials say.

The main battleground when farm ministers meet here next week is likely to be the proposed reduction in the milk quota. This should be of 2 per cent spread over 1993-94, but is controversial because Italy, which produces an illicit 2.5m tonnes over its quota, is likely to get an extra 900,000 tonnes provided it reduces the rest.

# Germans expect earnings decline of up to 5%

By Ariane Genillard in Bonn

WEST GERMAN agricultural profits are set to decline by up to 5 per cent this year despite a modest recovery last year, the German government said yesterday in its annual agricultural report.

Average agricultural profits rose by 4.3 per cent to DM47,721 (£20,000) per agricultural enterprise in the year ending June 1992. The rise was mainly a reflection of the higher prices of items such as pigmeat and milk and partly offset the 16 per cent plunge in farm income recorded the previous year.

However, the agricultural ministry expects this year's profits to fall by up to 5 per cent again due to a general decline of agricultural prices and last year's drought.

The German Bauernverband, the farmers' union, called the forecast over-optimistic and said farm revenues were likely to decline by between 5 and 10 per cent in 1993.

Mr Günther Bredehorn, agricultural policy spokesman for the government coalition Free Democrats party, added that West Germany's agricultural revenues were also likely to be further affected by the government's plan to reduce direct income subsidies to farmers.

According to the plan, farm subsidies should be reduced for three years by DM360m a year, starting in 1993. The proposal is part of the Solidarity Pact which is currently being debated and aims to force government, industry and trade unions into finding ways to finance recovery in the eastern part of the country.

Output statistics are not yet available for the farm sector in the former East Germany, which has virtually collapsed since unification. As far as farm jobs were concerned, the number of full-time agricultural workers dropped from 312,000 in 1991 to 174,000 last year.

The number of agricultural enterprises in the east increased last year as large formely state-owned farms are being restructured, with over 18,000 agricultural enterprises now registered there. Of these, 41.6 per cent consists of farms between one and 10 hectares. In the West, the number of agricultural enterprises continued to decline, dropping in 1992 by 2.6 per cent to 582,000.

# North Sea storms halve Norwegian crude oil output

By Karen Fossli in Oslo

NORWEGIAN North Sea crude oil production was cut by half yesterday as raging storms forced the closure of the Statfjord and Snorre fields, and sharply cut output from the Gullfaks field, said Statoil, the Norwegian state oil company.

Norway normally produces a daily average of 2.3m barrels of oil but extremely high waves prevented crude tankers from loading oil from buoys at Statfjord and from Gullfaks as storage capacity had reached its limits at the two fields.

Statfjord also stores oil from the 100,000 barrel-a-day Snorre field. Gullfaks was producing just 15,000 barrels yesterday, compared with its normal daily output of 491,000 barrels.

A Statoil spokesman said the weather forecast did not bode well for the resumption of full production until at least Friday, when crude oil tankers might be able to commence loading if waves subside to 4.5 metres or less. He said that storms had created the worst conditions in 20 years for offshore crude oil loading by tankers.

# Options pit move lifts Fox coffee trading

By David Blackwell

TRADING VOLUME in robusta coffee futures and options contracts has soared at London Fox since its new options pit was opened at the end of last year.

Mr Robin Woodhead, who took over as chief executive of the troubled exchange in October last year, said yesterday that he was extremely pleased with the increase in volumes, which had followed positive action by the exchange.

Coffee options turnover hit a record 28,666 lots for January, the first full month of trading in the new pit. This marked a 63 per cent rise on December - itself a record month. Trading in the underlying futures contract, which was only 63,000 lots last November, reached 112,524 lots in January.

Cocoa options also showed strong growth, trading 11,925 lots in January, the best month since March 1991. Cocoa futures traded 142,176 lots, up from 83,515 in December and 136,737 in November.

The options pit was moved to a position in between the coffee and cocoa futures markets on December 14, and a wall between the two markets was removed. "We believe the relocation has resulted in a significant increase in both options and underlying futures trading," said Mr Woodhead.

The London Fox chief executive plans to focus on increasing business in the core contracts at the exchange, which was in the doldrums for more than a year after a scandal in its now defunct property futures market.

The exchange has just received "a detailed and exhaustive study" of the sugar market from Landell Mills, the commodity consultants. Mr Woodhead said that the exchange hoped to make a decision on the future of its raw sugar market by the end of March.

*The contract, which has* switched from floor trading to screen trading and back over the past couple of years, has on some days registered no volume.

● The International Petroleum Exchange yesterday approved the extension of the forward trading range on its gas oil contract – widely used by airlines to hedge jet fuel prices – from nine months to 18 months as from March 12. The IPE said the move was made in response to demands from industry users.

# Israeli citrus growers given state aid after exports fall 36%

By Hugh Carnegy in Jerusalem

**St Lucia's banana exports to Britain last year reached 133,000 tonnes, 2,100 tonnes more than in 1991, according to the island's producers' association, writes Canute James in Kingston. The island is the largest producer in the Windward group of the eastern Caribbean, and its earnings from exports last year were US$68.1m, some $10m more than 1991. Mr Elijah Marquis, chairman of the St Lucia Banana Growers Association, said earnings would have been higher but for the devaluation of sterling.**

ISRAEL'S parliamentary finance committee has approved $25m in emergency state aid to the country's citrus industry, which has been hit this season by a 36 per cent fall in exports caused by a damaging combination of low yields at home and depressed prices abroad.

Traditionally the star in Israel's legendary "blooming desert" agricultural industry, the reality for the citrus sector in recent years has been a story of declining export earnings as inputs such as water grew in price while growers failed to keep pace with demand for popular high-value "easy peeler" and sweeter varieties.

This season, yields have been slashed by prolonged spells of cold weather during the blossoming late last winter. Production of shamouti oranges, the standard variety that with grapefruits makes up the majority of Israeli output, is down by around 30 per cent, according to growers.

At the same time, prices have slumped in European markets, the main destination for Israeli fruit. Mr Menashe Davidson, chief executive of the Mehadrin Group, Israel's biggest exporter, said the price of fresh fruit had fallen by some 15 per cent while the price for juice concentrate had tumbled by a third compared with last year to less than US$1,000 a tonne.

Initial reports showed fresh fruit exports up to the end of January, the height of the harvest, totalled 8.2m boxes, compared with 12.9m at the same stage last year. Mr Davidson estimated Israeli exports for the whole season would total 250,000 tonnes, compared with 320,000 last year. About 45 per cent of output goes for export as fresh fruit, 45 per cent goes as concentrate and the remainder to the local market.

Mr Davidson said Israeli products had been undercut by low-priced orange and grapefruit concentrates coming from Brazil and Florida, while sales of deciduous fruits such as apples had increased sharply in Europe, cutting into demand for fresh citrus products. He said Israeli producers had also suffered from the weakening of the UK and Scandinavian currencies, two of their chief markets.

Over the past decade, the annual value of citrus exports to Israel has fallen from about $250m to less than $150m in some years. In the same period, industrial exports (excluding diamonds) have grown to about $8bn a year.

But the ministry of agriculture says the citrus industry still accounts for 10,000 jobs in total and needs the $25m state aid to help it weather a temporary crisis.

Officials acknowledge that part of the problem is structural. The proportion of citrus exports made up of higher-value, more water efficient modern varieties has grown rapidly in recent years to more than a third of the total, but progress has not been fast enough to blunt competition from countries such as Morocco and Spain.

Some of this season's difficulties are attributed to the squeeze imposed on less efficient growers by the liberalisation of export marketing last season, which removed the shelter of fixed prices for producers imposed by the old monopoly Citrus Marketing Board.

But Mr Davidson rejects hardline critics who argue that Israel should cut back hard on an industry that they say in effect exports subsidised water, which Israel cannot afford. "What we have to do is be more efficient and produce better products. We can do it," he says.

# Knives out for UK potato scheme

By Alison Smith and David Owen

GOVERNMENT MINISTERS are determined to sweep away the UK's present potato marketing scheme, despite this week's setbacks to the necessary legislation.

The reverse came when a cross-party alliance of peers twice voted against the government's advice in the Lords on Tuesday night, backing first a move to protect the scheme *ahead of an impending European* Community declaration and then an amendment requiring a poll of registered producers before the Potato Marketing Board could apply for approval of a successor scheme.

Ministers believe there is scope for common promotion and research and development within the industry, but are convinced they should move swiftly to end the current marketing regime.

Their resolve has been hardened by this week's cabinet deregulation seminar, chaired by prime minister John Major, in which ending the present scheme was among the Ministry of Agriculture, Fisheries and Food's main contributions.

This week's developments come ten weeks after the PMB's future was called into question by the emergence of proposals for a lightweight Ecu1.5m (£1.2m) EC potato regime aimed at harmonising the different mechanisms *applied in member states in* the run-up to the Single European Market.

Though final decisions on how to deal with the issues on which the government was defeated have not yet been reached, the priority for ministers is expected to be removing the new requirement for a producers' poll.

It is understood the government might accept somerestriction on the timing of the end of the regime, which is dependent on EC decisions.

The government's commitment to changing the scheme, which it holds responsible for rising imports of processed potato products, has been underlined by Mr David Curry, the agriculture minister, in the face of concerted cross-party opposition from MPs with potato-growing constituents.

It would be sacrificing the interests of UK potato farmers "if we agreed a scheme in which everyone in the Community could plant what they wanted. . . but the United *Kingdom alone was pegged* back by acreage quotas," Mr Curry argued.

But Mr Bill Walker, Tory MP for Tayside North where 46 per cent of the Scottish potato crop is grown, has warned that if the present scheme were scrapped, "the probability is that. . . farmers will be forced into cereals".

Low prices have led to substantial PMB intervention in the market this year, increasing the strength of many farmers' allegiance to the existing regime.

## WORLD COMMODITIES PRICES

### MARKET REPORT

**GOLD** came under pressure on the London bullion market, slipping below $329 a troy ounce in thin trading. Support was expected around $328 – "but if there's no recovery from here then it might put itself under pressure," said one dealer. A break through $328 could take the price down to around $325. London **COCOA** finished near the day's lows, but held above support at £723 for May. Losses were largely driven by bearish sentiment on charts, particularly in New York, although London was underpinned by continued sterling weakness. London's robusta **COFFEE** largely recouped earlier losses by the close, boosted by a resumption of this week's upward trend in New York. The market mood had become much more constructive in the last few days, dealers said. **COPPER** continued to encounter difficulty in making upside headway on the LME. But a steady undertone emanated from escalating violence in Zaire and the Mexican copper refinery strike, dealers said.

Compiled from Reuters

### London Markets

SPOT MARKETS

| Crude oil (per barrel FOB)(Mar) | | + or - |
|---|---|---|
| Dubai | $15.65-5.90 | +.075 |
| Brent Blend (dated) | $18.42-8.44 | +0.05 |
| Brent Blend (Mar) | $18.33-8.35 | +0.08 |
| W.T.I (1 pm est) | $20.03-0.05 | +.065 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $193-194 | |
| Gas Oil | $169-170 | -1 |
| Heavy Fuel Oil | $69-71 | -1 |
| Naphtha | $179-181 | -0.5 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $328.30 | -1.65 |
| Silver (per troy oz)♣ | 368.0c | -0.5 |
| Platinum (per troy oz) | $361.0 | +2.65 |
| Palladium (per troy oz) | $112.6 | +2.1 |
| Copper (US Producer) | 104.0c | |
| Lead (US Producer) | 33.5c | |
| Tin (Kuala Lumpur market) | 14.76r | -0.17 |
| Tin (New York) | 267.5c | +2.5 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 120.49p | +2.69* |
| Sheep (live weight)†♣ | 93.96p | +0.55* |
| Pigs (live weight)† | 81.61p | -1.19* |
| London daily sugar (raw) | $204.5 | -6.2 |
| London daily sugar (white) | $257.4 | -1.4 |
| Tate and Lyle export price | £252.0 | -1.0 |
| Barley (English feed) | £136.0 | |
| Maize (US No. 3 yellow) | £168.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Mar)♥ | 69.75p | +1.00 |
| Rubber (Apr)♥ | 70.00p | +1.00 |
| Rubber (KL RSS No 1 Feb) | 240.0m | -0.5 |
| Coconut oil (Philippines)§ | $445.0y | -5.0 |
| Palm Oil (Malaysian)§ | $420.0w | +2.5 |
| Copra (Philippines)§ | $285.0 | |
| Soyabeans (US) | £184.0u | +3.0 |
| Cotton "A" index | 59.00c | +0.40 |
| Wooltops (64s Super) | 400p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr. v-Aug w-Feb/Mar z-Jan/Mar ♥London physical §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago. provisional prices

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Mar | 182.00 | 181.00 | 180.00 | 179.00 |
| May | 190.00 | 189.00 | 188.00 | |
| White | Close | Previous | High/Low | |
| Mar | 252.00 | 250.00 | 252.00 | 250.00 |
| May | 254.20 | 252.20 | 254.20 | 252.10 |
| Aug | 257.50 | | 257.00 | 256.80 |
| Oct | 242.80 | 241.80 | 241.00 | |
| Mar | 243.30 | | 243.00 | 240.00 |
| May | 246.30 | | 246.50 | |

Turnover: Raw 78 (382) lots of 50 tonnes. White 1205 (1626) Paris- White (FFr per tonne): Mar 1447.21 May 1462.62

| CRUDE OIL – IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Mar | 18.30 | 18.25 | 18.36 | 18.17 |
| Apr | 18.30 | 18.28 | 18.40 | 18.19 |
| May | 18.34 | 18.33 | 18.41 | 18.25 |
| Jun | 18.42 | 18.39 | 18.44 | 18.30 |
| IPE Index | 18.36 | 18.66 | | |

Turnover 25537 (36026)

| GAS OIL – IPE | | | $/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 166.75 | 167.25 | 167.75 | 166.75 |
| Mar | 166.50 | 166.25 | 169.25 | 167.50 |
| Apr | 166.25 | 166.75 | 169.25 | 167.75 |
| May | 169.50 | 169.00 | 169.50 | 168.50 |
| Jun | 169.75 | 170.00 | 169.75 | 169.75 |
| Jul | 170.50 | 171.50 | 172.50 | 170.25 |
| Aug | 173.00 | 173.75 | 175.00 | 172.50 |
| Sep | 175.00 | | 176.00 | 174.25 |
| Oct | 176.75 | | 178.00 | 176.25 |

Turnover 23611 (20018) lots of 100 tonnes

**WOOL**
After minor fluctuations around the 500 cents mark for the AWC market indicator since sales were resumed in Australia, there was a more definite decline on Tuesday. This took the indicator down by 10 cents and established a new low for the 1992-93 season, 488c/kg. Withdrawals by growers were heavier, approaching 20pc at the two centres. Sterling weakness has obvious relevance to UK users of imported wool and prices have been advanced, but business, whether home trade or export, is poor enough to make even these increases difficult to establish.

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 714 | 726 | 727 | 713 |
| May | 726 | 737 | 730 | 723 |
| Jul | 739 | 750 | 750 | 735 |
| Sep | 751 | 762 | 760 | 748 |
| Dec | 771 | 782 | 780 | 770 |
| Mar | 792 | 803 | 802 | 791 |
| May | 807 | 818 | 813 | 811 |
| Jul | 822 | 832 | 827 | 827 |
| Sep | 837 | 847 | 843 | 836 |
| Dec | 857 | 872 | 865 | |

Turnover: 7878 (4867) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 2 729.09 (729.89) 10 day average for Feb 1 744.54 (749.66)

| COFFEE – London FOX | | | $/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 946 | 948 | 945 | 919 |
| May | 944 | 945 | 943 | 920 |
| Jul | 929 | 935 | 932 | 910 |
| Sep | 936 | 936 | 935 | 920 |
| Nov | 948 | 940 | 950 | 930 |
| Jan | 960 | 960 | 945 | |

Turnover:4617 (4435) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 2: Comp. daily 58.12 (55.88) 15 day average 58.96 (57.11)

| POTATOES – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Apr | 49.9 | 49.9 | 50.5 | 48.6 |
| May | 58.9 | 59.0 | 59.0 | |

Turnover 160 (263) lots of 20 tonnes.

| SOYAMEAL – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Feb | 164.00 | | 164.00 |

Turnover 100 (25) lots of 20 tonnes.

| FREIGHT – London FOX | | | $10/index point | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 1280 | 1275 | 1280 | |
| Mar | 1295 | 1290 | 1295 | 1280 |
| Apr | 1295 | 1287 | 1296 | 1295 |
| Jul | 1166 | | 1166 | 1160 |
| Oct | 1338 | | 1333 | 1335 |
| BFI | 1274 | 1277 | | |

Turnover 160 (30)

| GRAINS – London FOX | | | £/tonne | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| Mar | 143.85 | 142.35 | 144.00 | 143.25 |
| May | 145.60 | 144.15 | 145.85 | 145.00 |
| Jun | 146.50 | 144.70 | 146.50 | 145.75 |
| Sep | 112.15 | 111.25 | 112.15 | 112.00 |
| Nov | 114.40 | 113.60 | 114.50 | 114.00 |
| Barley | Close | Previous | High/Low | |
| Mar | 138.00 | 137.00 | 138.00 | 137.35 |
| May | 136.95 | 138.00 | 136.95 | |
| Sep | 110.25 | | 110.25 | |
| Nov | 113.40 | | 113.40 | 113.00 |

Turnover: Wheat 368 (322), Barley 107 (100).
Turnover lots of 100 Tonnes.

| PIGS – London FOX | | (Cash Settlement) p/kg | |
|---|---|---|---|
| | Close | Previous | High/Low |
| Feb | 106.0 | 106.0 | 105.5 |
| Mar | 106.5 | | 106.0 |
| May | 107.0 | | 107.0 |

Turnover:5 (19) lots of 3,250 kg

| LONDON METAL EXCHANGE | | | | (Prices supplied by Amalgamated Metal Trading) | | |
|---|---|---|---|---|---|---|
| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
| Aluminium, 99.7% purity ($ per tonne) | | | | | Total daily turnover 22,388 lots | |
| Cash | 1189.5-90.5 | 1192-3 | | 1187.5-8.5 | | |
| 3 months | 1211-1.5 | 1214-5 | 1216/1209 | 1209.5-10 | 1215-6 | 161,644 lots |
| Copper, Grade A (£ per tonne) | | | | | Total daily turnover 25,595 lots | |
| Cash | 1546-7 | 1536.5-7.5 | 1575/1566 | 1549-50 | | |
| 3 months | 1569-9.5 | 1559-9.5 | 2241/2231 | 1570.5-1 | 2233-7 | 155,401 lots |
| Lead (£ per tonne) | | | | | Total daily turnover 5,384 lots | |
| Cash | 290.5-1.5 | 288.5-9.5 | 291.5 | 291.5-1.75 | | |
| 3 months | 300.5-1 | 298-9 | 301.5/300 | 301.25-1.5 | 301.5-2 | 18,453 lots |
| Nickel ($ per tonne) | | | | | Total daily turnover 9,068 lots | |
| Cash | 5770-80 | 5780-5 | 5767 | 5765-75 | | |
| 3 months | 5840-5 | 5845-50 | 5910/5830 | 5845-50 | 5835-45 | 42,786 lots |
| Tin ($ per tonne) | | | | | Total daily turnover 2,129 lots | |
| Cash | 5780-90 | 5710-20 | 5800/5795 | 5795-800 | | |
| 3 months | 5840-5 | 5770-80 | 5870/5800 | 5863-5 | 5830-5 | 8,822 lots |
| Zinc, Special High Grade ($ per tonne) | | | | | Total daily turnover 17,396 lots | |
| Cash | 1098-9 | 1097.5-8.5 | 1098.25/1098 | 1097-7.5 | | |
| 3 months | 1117-8 | 1116-7 | 1124.5/1110 | 1116-6.5 | 1124.5-5 | 69,121 lots |

LME Closing £/$ rate:
SPOT: 1.4340 3 months: 1.4235 6 months: 1.4156 9 months: 1.4108

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 328.10-328.50 | |
| Opening | 329.40-329.80 | |
| Morning fix | 329.80 | 230.538 |
| Afternoon fix | 328.20 | 229.832 |
| Day's high | 329.70-330.00 | |
| Day's low | 328.10-328.40 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 2.00 | 6 months | 2.10 |
| 2 months | 2.05 | 12 months | 2.20 |
| 3 months | 2.06 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 256.05 | 367.40 |
| 3 months | 259.85 | 370.15 |
| 6 months | 263.10 | 372.85 |
| 12 months | 269.55 | 379.75 |

| GOLD COINS | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 328.00-331.00 | 227.00-230.00 |
| Maple leaf | 338.05-340.30 | - |
| New Sovereign | 78.00-81.00 | 54.00-57.00 |

TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | Jun | Mar | Jun |
| 1200 | 19 | 50 | 18 | 26 |
| 1225 | 90 | 36 | 33 | 37 |
| 1250 | 3 | 26 | 52 | 51 |
| **Copper (Grade A)** | Calls | | Puts | |
| 2200 | 81 | 84 | 20 | 48 |
| 2250 | 25 | 59 | 44 | 72 |
| 2300 | 10 | 39 | 79 | 102 |
| **Brent Crude** | Mar | Apr | Mar | Apr |
| 1800 | 42 | 72 | 8 | 43 |
| 1850 | 13 | 46 | 29 | 66 |
| 1900 | 5 | 33 | 63 | - |

### New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 329.3 | 330.4 | 330.0 | 329.0 |
| Mar | 329.2 | 330.3 | 0 | 0 |
| Apr | 329.5 | 330.6 | 330.2 | 329.1 |
| Jun | 330.7 | 331.8 | 331.3 | 330.5 |
| Aug | 332.1 | 333.2 | 332.6 | 332.1 |
| Oct | 333.5 | 334.7 | 0 | 0 |
| Dec | 335.0 | 336.2 | 335.4 | 335.0 |
| Feb | 336.7 | 337.9 | 0 | 0 |
| Apr | 338.5 | 339.7 | 336.7 | 336.7 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 359.1 | 0 | 359.5 | 359.5 |
| Apr | 360.3 | 360.3 | 363.0 | 360.0 |
| Jul | 357.3 | 357.3 | 360.0 | 357.0 |
| Oct | 355.3 | 355.3 | 355.0 | 355.0 |
| Jan | 353.8 | 353.8 | 0 | 0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 365.3 | 366.4 | 366.5 | 366.5 |
| Mar | 366.2 | 367.2 | 369.0 | 366.0 |
| May | 368.7 | 369.7 | 371.5 | 368.5 |
| Jul | 370.9 | 371.9 | 374.0 | 370.6 |
| Sep | 373.3 | 374.3 | 0 | 0 |
| Dec | 377.2 | 378.1 | 380.0 | 377.5 |
| Jan | 378.2 | 379.1 | 0 | 0 |
| Mar | 381.7 | 382.6 | 382.5 | 382.5 |
| May | 384.6 | 385.4 | 0 | 0 |
| Jul | 387.7 | 388.5 | 0 | 0 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 98.80 | 98.75 | 99.00 | 98.75 |
| Mar | 99.25 | 99.20 | 99.50 | 98.65 |
| Apr | 99.60 | 99.50 | 99.70 | 99.50 |
| May | 99.85 | 99.75 | 100.00 | 99.50 |
| Jun | 100.10 | 99.95 | 0 | 0 |
| Jul | 100.30 | 100.20 | 100.45 | 100.10 |
| Aug | 100.50 | 100.40 | 0 | 0 |
| Sep | 100.70 | 100.55 | 100.80 | 100.70 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Mar | 19.98 | 20.00 | 20.08 | 19.86 |
| Apr | 20.00 | 20.03 | 20.10 | 19.88 |
| May | 20.03 | 20.07 | 20.11 | 19.92 |
| Jun | 20.12 | 20.10 | 20.14 | 20.02 |
| Jul | 20.13 | 20.13 | 20.18 | 20.05 |
| Aug | 20.20 | 20.16 | 20.20 | 20.10 |
| Sep | 20.23 | 20.20 | 20.23 | 20.12 |
| Oct | 20.24 | 20.23 | 20.24 | 20.22 |
| Nov | 20.20 | 20.23 | 20.24 | 20.19 |
| Dec | 20.26 | 20.22 | 20.26 | 20.17 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Mar | 55.80 | 55.86 | 56.20 | 55.40 |
| Apr | 55.75 | 55.81 | 56.00 | 55.40 |
| May | 55.40 | 55.41 | 55.55 | 55.15 |
| Jun | 55.20 | 55.21 | 55.30 | 54.95 |
| Jul | 55.40 | 55.36 | 55.50 | 55.20 |
| Aug | 56.00 | 55.96 | 56.10 | 55.90 |
| Sep | 57.15 | 57.11 | 57.30 | 57.15 |
| Oct | 58.30 | 58.11 | 58.30 | 58.30 |
| Nov | 59.10 | 58.91 | 59.10 | 58.80 |
| Dec | 59.70 | 59.71 | 59.70 | 59.70 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 890 | 914 | 903 | 883 |
| May | 918 | 942 | 932 | 913 |
| Jul | 945 | 968 | 968 | 941 |
| Sep | 975 | 993 | 980 | 968 |
| Dec | 1009 | 1027 | 1016 | 1005 |
| Mar | 1040 | 1062 | 1047 | 1040 |
| May | 1061 | 1085 | 1075 | 1062 |
| Jul | 1081 | 1103 | 0 | 0 |
| Sep | 1108 | 1130 | 1116 | 1108 |
| Dec | 1150 | 1167 | 1143 | 1135 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 63.10 | 63.35 | 65.00 | 61.30 |
| May | 67.90 | 69.15 | 69.75 | 67.75 |
| Jul | 69.70 | 71.20 | 71.50 | 69.25 |
| Sep | 71.50 | 72.75 | 72.50 | 71.50 |
| Dec | 74.50 | 75.25 | 76.00 | 73.90 |
| Mar | 77.50 | 77.50 | 0 | 0 |
| May | 79.85 | 80.00 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 8.14 | 8.04 | 8.17 | 8.07 |
| May | 8.50 | 8.40 | 8.53 | 8.45 |
| Jul | 8.67 | 8.58 | 8.70 | 8.61 |
| Oct | 8.52 | 8.48 | 8.57 | 8.50 |
| Mar | 8.59 | 8.55 | 8.63 | 8.59 |
| May | 8.65 | 8.59 | 8.69 | 8.65 |
| Jul | 8.79 | 8.73 | 0 | 0 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 59.98 | 59.78 | 60.20 | 59.42 |
| May | 60.68 | 60.44 | 60.86 | 60.16 |
| Jul | 61.60 | 61.38 | 61.79 | 61.05 |
| Oct | 61.50 | 61.25 | 61.50 | 61.20 |
| Dec | 60.43 | 60.25 | 60.50 | 60.20 |
| Mar | 61.25 | 60.95 | 0 | 0 |
| May | 61.75 | 61.50 | 0 | 0 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 70.35 | 69.00 | 71.60 | 69.30 |
| May | 73.65 | 72.70 | 75.00 | 73.25 |
| Jul | 77.50 | 75.05 | 77.70 | 76.00 |
| Sep | 80.00 | 77.00 | 80.50 | 78.55 |
| Nov | 82.75 | 80.35 | 83.50 | 82.50 |
| Jan | 86.05 | 83.35 | 86.50 | 84.50 |
| Mar | 87.80 | 85.55 | 88.00 | 87.00 |
| May | 88.10 | 86.55 | 0 | 0 |
| Jul | 88.10 | 86.65 | 0 | 0 |

INDICES

| REUTERS (Base:September 18 1931 = 100) | | | |
|---|---|---|---|
| Feb 3 | Feb 2 | mnth ago | yr ago |
| 1744.0 | 1726.6 | 1695.7 | 1570.1 |

| DOW JONES (Base: Dec. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| | Feb 2 | Feb 1 | mnth ago | yr ago |
| Spot | 121.61 | 121.21 | 121.24 | 117.61 |
| Futures | 122.88 | 122.17 | 121.85 | 122.34 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 574/4 | 572/0 | 576/0 | 570/6 |
| May | 577/4 | 575/2 | 578/0 | 574/0 |
| Jul | 582/2 | 579/4 | 583/0 | 578/0 |
| Aug | 583/4 | 580/6 | 584/0 | 580/6 |
| Sep | 584/4 | 581/2 | 584/4 | 581/0 |
| Nov | 590/6 | 587/4 | 591/2 | 586/4 |
| Jan | 597/4 | 594/4 | 597/4 | 594/4 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 20.78 | 20.92 | 20.95 | 20.71 |
| May | 21.01 | 21.12 | 21.18 | 20.97 |
| Jul | 21.20 | 21.32 | 21.36 | 21.16 |
| Aug | 21.26 | 21.36 | 21.45 | 21.25 |
| Sep | 21.29 | 21.40 | 0 | 0 |
| Oct | 21.32 | 21.42 | 21.48 | 21.32 |
| Dec | 21.45 | 21.55 | 21.60 | 21.40 |
| Jan | 21.50 | 21.60 | 0 | 0 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 180.6 | 179.2 | 180.6 | 178.8 |
| May | 181.3 | 179.9 | 181.4 | 179.5 |
| Jul | 182.8 | 181.5 | 183.0 | 181.0 |
| Aug | 183.7 | 182.3 | 183.8 | 182.2 |
| Sep | 184.6 | 183.2 | 184.7 | 183.3 |
| Oct | 185.8 | 184.5 | 185.8 | 184.3 |
| Dec | 187.7 | 186.4 | 187.7 | 186.0 |
| Jan | 188.2 | 186.8 | 0 | 0 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 213/0 | 212/6 | 213/4 | 212/0 |
| May | 221/0 | 220/6 | 221/2 | 220/0 |
| Jul | 228/4 | 228/2 | 228/6 | 227/4 |
| Sep | 234/6 | 234/6 | 235/0 | 233/6 |
| Dec | 241/0 | 241/4 | 241/2 | 240/0 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 375/2 | 373/2 | 375/4 | 369/6 |
| May | 346/4 | 345/4 | 346/4 | 341/4 |
| Jul | 324/0 | 324/0 | 324/4 | 320/4 |
| Sep | 328/0 | 327/4 | 328/0 | 324/0 |
| Dec | 335/4 | 334/2 | 335/4 | 332/0 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 79.975 | 79.425 | 80.200 | 79.225 |
| Apr | 78.400 | 78.125 | 78.650 | 77.750 |
| Jun | 73.275 | 72.850 | 73.425 | 72.650 |
| Aug | 71.050 | 70.675 | 71.100 | 70.450 |
| Oct | 72.100 | 71.650 | 72.200 | 71.650 |
| Dec | 72.600 | 72.300 | 72.700 | 72.250 |

| LIVE HOGS 40,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 43.600 | 43.625 | 43.850 | 43.400 |
| Apr | 43.475 | 43.450 | 43.775 | 43.100 |
| Jun | 48.350 | 48.200 | 48.550 | 47.925 |
| Jul | 47.625 | 47.625 | 47.775 | 47.350 |
| Aug | 45.325 | 45.450 | 45.600 | 45.000 |
| Oct | 41.275 | 41.425 | 41.450 | 41.200 |
| Dec | 42.400 | 42.600 | 42.700 | 42.400 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 35.025 | 34.725 | 35.650 | 34.600 |
| Mar | 35.625 | 35.475 | 36.200 | 35.250 |
| May | 36.825 | 36.775 | 37.300 | 36.500 |
| Jul | 37.225 | 37.250 | 37.550 | 37.100 |
| Aug | 36.225 | 36.300 | 38.550 | 38.000 |

## LONDON STOCK EXCHANGE

# Revived rate hopes bring new peaks

By Terry Byland, UK Stock Market Editor

TURMOIL in European currencies provided the driving forces behind a powerful advance to new highs in the UK equity market yesterday. Share prices extended their gains in the second half of the session when rumours circulated that the Bundesbank might succumb to pressures from other ERM countries and cut rates by a full point this morning. A cut in German rates would open the way for further reductions in UK base rates, analysts believe.

The FT-SE Index gained 39.4, breaking through previous intra-day and closing peaks for a final reading of 2,873.8. Heavy volume across the full range of equities also took the FT-SE Mid 250 Index to a new high of 3,023.6, up 28.3 on the day. London was encouraged at the close by widespread gains on Wall Street as it began its new trading session.

The fall in sterling to new lows against the mark, French franc and the yen, quickly drove shares in Britain's leading export groups ahead. Sterling was also perceived to be signalling expectations of another cut in UK base rates, the stock market electing to discard the rejection of such plans issued by Downing Street at the beginning of the week.

The combination of a further effective devaluation of sterling with more interest rate reductions proved to be a strong stimulant for equities. The advance was checked briefly following news of an annualised increase of 4.1 per cent in M-0 domestic money supply last month, but found renewed strength later as attention turned to the ERM currency pressures.

Trading volume remained high, but the Seaq total of 851m shares compared with 854.7m in the previous session. However, with the attention swinging back to the blue chip export-led international stocks, the proportion of non-Footsie shares traded fell to 58 per cent yesterday from around 63 per cent earlier this week. Retail business remained high on Tuesday, returning a value total of £1.5bn.

Yesterday's upswing in the stock market was led by strong gains in interest-related stocks, with property shares again extending the recovery prompted by the renewed optimism on base rates. Banks, where loan books would benefit if doubtful debtors are helped by lower interest rates, also strengthened and insurances also stood out.

Market strategists sounded almost helpless in the face of the market's renewed strength but agreed that the FT-SE could easily challenge 2,900 very soon – unless the mood changes. Fears that depressed sterling may soon show through in the form of higher prices for imported goods were expressed.

The stock market is now trading on a multiple of around 18 times existing earnings. But Mr Roger Palmer of Kleinwort Benson Securities pointed to higher earning expectations for 1994 which would bring ratings down to around 12.8. "London still looks the most attractive of all the major markets," he said.

The excitement generated during the second half of the session brought spectacular gains among the financial stocks. Dealers were cautious regarding some of the more speculative reasons put forward for gains in the sector.

Oil shares rounded off a strong session with further gains on the back of the strong opening on Wall Street.

### TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000s | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

| Account Dealing Dates | | | |
|---|---|---|---|
| *First Dealings: | Jan 18 | Feb 1 | Feb 15 |
| Option Declarations: | Jan 28 | Feb 11 | Feb 25 |
| Last Dealings: | Jan 29 | Feb 12 | Feb 26 |
| Account Day: | Feb 8 | Feb 22 | Mar 8 |

*New time dealings may take place from 8.30am two business days earlier.

# Bid talk lifts TSB to record

ANOTHER wave of takeover speculation drove TSB shares to a record high yesterday as dealers reported exceptionally heavy turnover in both the stockmarket and the options market, where it was the fourth heaviest traded stock.

At the close, TSB shares were 7 higher at 177p with turnover of 15m among the highest daily totals recorded in the stock since its October 1986 market debut.

Yesterday's market rumours suggested a number of potential predators for the bank. Lloyds, always mentioned as a potential bidder when takeover stories develop in the bank sector, was seen as a possible bidder, as was Credit Lyonnais, the French bank and Germany's Commerzbank. Bayerische Vereinsbank was also mentioned.

While not dismissing takeover possibilities, many bank specialists viewed the stories with suspicion. "TSB is a recovery stock but the short term outlook remains poor," said one. Another suspected that much of the recent interest represented little more than income funds buying for the dividend; the stock goes ex the 3.25p dividend on February 15.

### ICI adrift

US drug pricing worries and technical factors combined to depress ICI shares, which were also hit by an element of profit-taking following a rise of more than 100p since Christmas. They closed a net 16 off at 1134p.

Initially analysts said US investment bank Goldman Sachs was trying to sell 4m ICI shares as part of a big programme trade. Goldman was unavailable for comment.

Later, there was a reaction to reports that a US congressional hearing was expected to list ICI as one of seven drug companies that have broken public promises to hold price increases below the rate of inflation in 1992. However, ICI's US pharmaceuticals unit said yesterday that it would limit 1993 price increases on all of its products to a maximum of 4 per cent.

Some UK sector specialists were surprised at the strong performance of Glaxo in the light of the US worries. However, the recent shift in currency had left the New York equivalent of the shares worth about 635p on Tuesday night and the relative cheapness prompted very heavy US buying. Glaxo rose 10 to 665p with heavy turnover of 10m shares.

### Hanson sought

Conglomerate Hanson moved forward 5½ to 262½p on exceptionally heavy volume of 14m shares, with one international equities dealer arguing that the stock had broken through a barrier and would now have a clear run to 270p. US analysts like the company for its yield and some UK houses, including Natwest Securities, prefer the group to rival BTR. Many believe that the diminishing attractions of a large cash pile at a time of low interest rates makes it very likely that Hanson will do something with its famed £8bn "war chest" within the next month or so.

BTR, which is viewed as a prime rights issue candidate, was marked up sharply at the close as a sizeable buyer entered the market. The shares ended the day 14 higher at 566p.

### Retail tax worry

Press comment on the possibility of VAT being levied on foodstuffs in the UK kept food retailers under a cloud. While many analysts believe the move to be too politically sensitive, and also the worst alternative to taxing such items as books and children's clothes, the possibility has not been entirely dismissed – as yesterday's underperformances showed. Among the fallers, Argyll Group lost 5 to 353p, J Sainsbury 4 to 578p and Tesco 4 to 257p.

Food manufacturers fared little better as a heavy tome from Nomura advised investors to go underweight in the sector in the wake of imminent margin pressure. Only Unilever escaped the house's negative stance, the shares advancing 17 to 1148p. Bucking the trend were Booker which lifted 12 to 433p as Kleinwort Benson reaffirmed its positive stance, Tate and Lyle, up 8 to 414p as UBS Phillips and Drew said buy and Unigate, ahead 9 at 325p on speculative buying.

Bank shares continued their recent outstanding performance, with the FT Actuaries banks sector up 2.9 per cent compared with the Footsie 100's 1.4 per cent gain. The prospect of further cuts in interest rates, recovery in the UK economy and an end to free banking were said to have driven the sector higher, although some analysts warned that prices had run too far too fast. "There is a genuine worry that once the results season is over the shares will disappoint," said another analyst.

The weakness of sterling was behind the strong rise in HSBC, which rose 19 to 577p. Barclays added 20 to 459p, Lloyds recovered from an uneasy opening to close 6 better at 560p and NatWest jumped 19 to 581p. Royal Bank of Scotland edged up 4 to 249p, still responding to the recent visit by analysts to the group's Direct Line insurance operation. Reports of an imminent flotation of the business were viewed as wide of the mark.

The absence of much-rumoured rights issues saw composite insurances race ahead with the sector index moving up 3.4 per cent. Commercial Union, the only composite expected to report a profit for 1992, jumped 17 to 624p. Sun Alliance added 14 to 346p.

Speciality chemicals group Laporte fell 5 to 649p ahead of an announcement that it had gained 78.3 per cent of glue manufacturer Evode and its recommended offer for the company was unconditional. Evode shares were a penny weaker at 133p.

In a buoyant drinks sector, Guinness surged 18 to 475p helped by the rumour that France was to leave the ERM. The group has a 24 per cent cross-holding in the French luxury goods company LVMH. UK interest rate cut hopes aided Bass and Whitbread, which jumped 14 to 604p and 11 to 467p respectively. Grand Metropolitan rose 5 to 440p as Kleinwort Benson reiterated its buy stance.

Rank Organisation shrugged off worries over the new accounting procedures and added 12 at 720p. Presentations to institutions in Scotland helped Thorn EMI gain 19 to 844p. A large line of stock overhung Ladbroke most of the day and the shares closed 2 adrift at 203p.

Shares in British Aerospace moved sharply ahead after a tentative start on speculation that the company was about to announce an order for Hawk jets from Oman. Early weakness in BAe was due to the financial collapse of Dutch commercial vehicle maker DAF in which it holds a 16 per cent stake.

Having shaken off the early gloom, sentiment was further lifted by the return of talk in some circles that GEC would launch a bid for BAe. Shares in BAe closed 13 up at 287p in trade of 6.5m, while GEC moved 9 ahead to 301p with volume reaching 11m.

Truck maker ERF Holdings was seen as a beneficiary of the demise of DAF and the shares jumped 26 to 231p. Specialist engineer Trinity Holdings which came to the market in October 1992 at 120p, was also said to be another beneficiary of the collapse. The shares gained 11 to 189p.

Triplex Lloyd eased 2 to 171p, after the company announced a £17.3m rights issue.

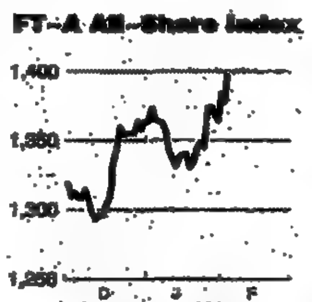
United Newspapers lifted 6 to 529p as S.G. Warburg reaffirmed its positive view, believing the worries over a VAT charge being imposed on newspapers has been discounted and that United will be helped by its US exposure.

Reuters Holdings to benefit from a Goldman Sachs recommendation. The shares recovered 23 to 1427p.

**MARKET REPORTERS:** Christopher Price, Joel Kibazo, Peter John, Steve Thompson.

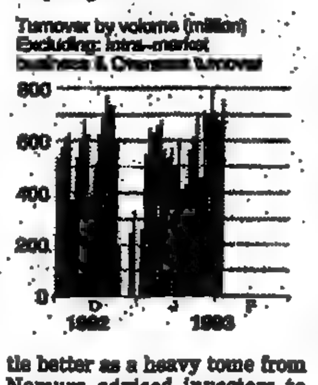
■ Other market statistics, Page 28.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



### NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (282). BRITISH FUNDS (11) [illegible] Tr 8pc '03, AMERICANS (33) CANADIANS (3) Amer. Barrick, Rio Algom, BANKS (8) Asahi, Bk. Scot. 9¾pc Pf., Barclays, HSBC, Mitsubishi, Natl. Aust.; NatWest, Sumitomo, TSB, BREWERS (3) Holt, Kirin, Vaux, BLDG MATLS (3) BPB, Lilleshall 8pc Pf., Wolseley, BUSINESS SERVS (4) Johnson Cleaners, Salvesen, Time Prods., Wills, CHEMS (9) BASF, Bayer, [illegible], Engelhard, Evode 7p Pf., Halstead, Hoechst, Yule Catto. CONGLOMERATES (6) Bodycote, Brierley, Hanson, Do Wts., Do 9½pc Cv., Wassall, CONTG & CONSTRCN (2) [illegible], Crest Nicholson 5½pc Pf., ELECTRICALS (8) Critchley, Dale, Kenwood, Pifco, Do A, Sony, ELECTRONICS (13) Acorn Comp., [illegible], Cray, Diploma, Domino, Electrocomps., GEC, Hewlett-Packard, MMT, Misys, Multitone, Siemens, Tadpole Tech., ENG AERO (2) Br. Aerospace 7¾pc Pf., FR, Hunting, ENG GEN (9) Fairey, Halma, Locker, [illegible], Powerscreen, SEP, Siebe, Spirax-Sarco, Sterling, FOOD MANUF (3) Acatos & Hutcheson, Finlay (J), Unilever, HEALTH & HSEHOLD (2) Assoc. Nursing, Tekura, HOTELS & LEIS (1) Verdon, INSCE BROKERS (2) Alex. & Alex., Marsh & McLennan, INSCE COMPOSITE (7) Allianz, Amer. Gen., Amer. Intl., Aon, Domestic & Gen., Gen. Accident, Travelers, INSCE LIFE (5) Liberty Life, Lincoln, Prudential, Torchmark, Transatlantic, INV TRUSTS (136) MEDIA (11) Euromoney, Independent, Johnston Press, LWT 5.9025p Pf., Metal Bulletin, News Corp., News Intl., Ports. & Sunderland, Reed, Starling, Telegraph, MERCHANT BANKS (2) Kleinwort Benson, Warburg 6pc Pf., MTL & MTL FORMING (1) Clayhithe 9½pc Cv. '00-01, MISC (14) Aspen Comms., Birky, Black Arrow, Erskine 7¼pc Pf., Glenchewton, Headlam, Laser-Scan, Linect, Norbain, Silentnight, MOTORS (6) Avon Rubber, BSG, ERF, Lex, T & N, OIL & GAS (7) Atlantic Richfield, Bow Valley, Chevron, Exxon, Mobil, Santos, Shell, OTHER FINCL (11) Cater Allen, Gerrard & Natl., Govett, Henderson Admin., King & Shaxson, M & G, Mercury Asset, Trio, Tyndall Aust., Do Options, Perpetual, OTHER INDLS (5) BH Prop., BTR, Do Wts '92-93, Cookson, Harris, PACKG, PAPER & PRINTG (3) APL, Bunzl, De La Rue, PROP (8) Bradford, Frogmore, Land Sec., St. Modwen, Savills, Slough 8¼pc Pf., Southend Stadium 5½pc Pf., Town Centre, STORES (2) Betterware, Brown (N), TELE NETWORKS (2) BT, BT (PtlyPd), TEXTS (7) Baird, Dawson, [illegible]

NEW LOWS (13). [illegible]

### EQUITY FUTURES AND OPTIONS TRADING

HOPES of a cut in interest rates in both the UK and Germany, along with speculation that Denmark and France may leave the ERM, helped reverse Tuesday's decline in stock index futures, writes Joel Kibazo.

But for a brief decline in the first 15 minutes of trading, the March contract on the FT-SE which opened at 2,839, moved ahead on the interest rate hopes and talk of the ERM withdrawals, pulling the underlying cash market sharply forward.

Buying at the higher levels was seen throughout the day and was further boosted by a strong Wall Street and March finished at 2,889, a jump of 53 on the previous day's close and at a 17-point premium to the underlying cash market. Turnover was a reasonable 9,735 contracts by the close.

In traded options, turnover improved on Tuesday's levels to reach 31,794 lots against 25,119. The FT-SE 100 option saw business of 11,877 trades.

Among stock options, it was Hanson that led the league table. It had traded 2,064 contracts by the close. It was followed by Thorn EMI with turnover reaching 1,301 lots. Bid speculation in TSB ensured that the options had a busy day. Some 1,187 lots were dealt in TSB with the June 160 calls the busiest series with a total of 700 lots.

Glaxo which traded 1,184 contracts and British Aerospace in which 1,161 lots were dealt were also busy.

### FINANCIAL TIMES EQUITY INDICES

| | Feb 3 | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2225.7 | 2195.7 | 2197.5 | 2177.3 | 2184.8 | 1970.9 | 2225.7 | 1970.0 |
| Ord. div. yield | 4.26 | 4.32 | 4.29 | 4.35 | 4.33 | 4.83 | 5.34 | 4.23 |
| Earning yld % full | 5.80 | 5.88 | 5.84 | 5.97 | 5.95 | 6.95 | - | - |
| P/E ratio net | 21.96 | 21.65 | 21.83 | 21.35 | 21.49 | 18.18 | 21.96 | 16.79 |
| P/E ratio nil | 20.25 | 20.01 | 20.13 | 19.72 | 19.80 | 17.07 | - | - |
| Gold Mines | 81.1 | 79.9 | 76.3 | 74.7 | 69.3 | 149.1 | 160.6 | 68.8 |

*for 1992/93. Ordinary share index since compilation: high 2225.7 3/2/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2195.8 | 2195.3 | 2205.0 | 2201.8 | 2206.5 | 2208.6 | 2207.2 | 2215.7 | 2223.2 | 2225.7 | 2194.3 |

| | Feb 3 | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 34,776 | 35,604 | 29,909 | 32,592 | 31,677 | 28,018 |
| Equity Turnover(£m)† | - | 1457.6 | 1286.5 | 1606.2 | 1448.2 | 854.89 |
| Equity Bargains† | - | 44,893 | 38,134 | 40,863 | 44,408 | 32,622 |
| Shares Traded (m)† | - | 674.0 | 564.7 | 701.3 | 733.8 | 427.0 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2873.8 +39.4 | 3023.6 +28.3 | 1396.35 +17.39 |

| | Feb 3 | Day's change % | Feb 2 | Feb 1 | Jan 29 | Year ago | Earnings yield % | Dividend yield % | P/E Ratio | Xd adj ytd |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2873.8 | +1.4 | 2834.4 | 2851.6 | 2807.2 | 2547.1 | 6.18 | 4.25 | 20.79 | 3.51 |
| FT-SE Mid 250 | 3023.6 | +0.9 | 2995.3 | 2988.6 | 2954.8 | 2472.7 | 6.86 | 4.30 | 18.47 | 5.82 |
| FT-SE-A 350 | 1415.2 | +1.3 | 1397.1 | 1403.1 | 1382.5 | 1233.4 | 6.33 | 4.26 | 20.24 | 1.94 |
| FT-SE SmallCap | 1506.86 | +0.6 | 1496.16 | 1494.10 | 1477.27 | – | 5.47 | 4.24 | 26.52 | 2.63 |
| FT-SE SmallCap ex Inv Trusts | 1514.43 | +0.4 | 1507.72 | 1504.37 | 1489.51 | – | 6.06 | 4.50 | 23.54 | 2.71 |
| FT-A ALL-SHARE | 1396.35 | +1.3 | 1378.96 | 1384.44 | 1364.33 | 1218.83 | 6.26 | 4.26 | 20.49 | 1.96 |
| 1 CAPITAL GOODS(211) | 938.33 | +1.4 | 925.37 | 925.55 | 910.24 | 784.18 | 6.03 | 4.59 | 21.71 | 1.33 |
| 2 Building Materials(27) | 982.45 | +1.7 | 946.82 | 952.74 | 927.80 | 964.22 | 5.31 | 5.61 | 26.84 | 0.77 |
| 3 Contracting, Construction(28) | 804.67 | +1.5 | 792.82 | 783.85 | 771.72 | 879.01 | 3.17 | 8.05 | 80.00† | 0.20 |
| 4 Electricals(14) | 2782.50 | +0.7 | 2743.85 | 2733.93 | 2712.28 | 2453.81 | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 Electronics(36) | 2532.84 | +2.3 | 2476.29 | 2462.03 | 2451.59 | 1788.82 | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 Engineering-Aerospace(7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 7 Engineering-General(52) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Metals & Metal Forming(11) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 Motors(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Other Industrials(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 21 CONSUMER GROUP(189) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22 Brewers and Distillers(28) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 Food Manufacturing(22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Hotels and Leisure(28) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Stores(35) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 OTHER GROUPS(140) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Chemicals(21) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Transport(16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Telephone Networks(4) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47 Water(13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Miscellaneous(32) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 INDUSTRIAL GROUP(538) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 Oil & Gas(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 59 "500" SHARE INDEX(556) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 61 FINANCIAL GROUP(99) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Banks(9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 Insurance (Life)(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Insurance (Composite)(7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 67 Insurance Brokers(10) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Merchant Banks(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 Property(29) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 Other Financial(23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Investment Trusts(107) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 99 FT-A ALL-SHARE(666) | 1396.35 | +1.3 | 1378.96 | 1384.44 | 1364.33 | 1218.83 | 6.26 | 4.26 | 20.49 | 1.96 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2833.4 | 2833.3 | 2840.0 | 2845.1 | 2849.2 | 2848.2 | 2845.3 | 2861.1 | 2872.6 | 2873.8 | 2832.5 |
| FT-SE Mid 250 | 2994.5 | 2997.1 | 3002.1 | 3003.6 | 3007.0 | 3008.0 | 3009.7 | 3014.2 | 3022.6 | 3023.7 | 2994.7 |
| FT-SE-A 350 | 1396.7 | 1398.9 | 1402.5 | 1402.1 | 1404.0 | 1403.8 | 1404.0 | 1408.2 | 1414.7 | 1416.2 | 1396.5 |

Gross dividend yield (ACT at 25%) FT-SE 100 [illegible]

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Construction | 1558.6 | 1558.3 | 1563.2 | 1568.9 | 1567.8 | 1569.3 | 1569.8 | 1574.4 | 1582.0 | 1585.0 | 1556.7 | +28.3 |
| Health&H | 1142.0 | 1138.3 | 1147.6 | 1146.5 | 1152.5 | 1148.7 | 1150.8 | 1149.0 | 1154.7 | 1155.7 | 1151.2 | +4.5 |
| Water | 1313.3 | 1314.2 | 1314.5 | 1311.0 | 1311.1 | 1314.2 | 1314.2 | 1316.4 | 1322.1 | 1325.8 | 1320.4 | +4.8 |
| Banks | 1606.8 | 1601.8 | 1615.2 | 1616.2 | 1614.2 | 1621.8 | 1622.8 | 1626.8 | 1642.2 | 1649.2 | 1597.0 | +52.2 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible] The FT-SE Actuaries Share Indices are audited by The WM Company.

## LONDON SHARE SERVICE

### BRITISH FUNDS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### BRITISH FUNDS - Cont.

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### BRITISH FUNDS - Cont.

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### OTHER FIXED INTEREST

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Continued on next page

## LONDON SHARE SERVICE

### AMERICANS

| | Notes | Price £ | + or − | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | h | 18¾xd | −⅛ | 21¼ | 14⅝ | 15,221 | 2.1 |
| Allegheny & W | ♥ | 523p | +32 | 523p | 226p | 271.8 | 3.6 |
| Amdahl | | 575p | −2 | 1189p | 438p | 645.7 | 1.1 |
| Amer Cyanamid | | 35¾ | −⅛ | 38⅝ | 28⅝ | 3,223 | 2.9 |
| Amer Express | | 17⅛xd | +⅛ | 17⅛ | 10⅞ | 8,188 | 3.7 |
| Amer T & T | | 37⅛xd | +⅛ | 37⅛ | 20⅛ | 49,372 | 2.2 |
| AmeriTech | | 51½ | +1⅛ | 51½ | 32½ | 22,548 | 4.5 |
| BankAmerica | | 38¼xd | +¼ | 38⅝ | 19⅞ | 12,862 | 2.4 |
| Bankers NY | | 47⅛xd | +1¼ | 47⅛ | 28⅝ | 3,782 | 4.2 |
| Bell Atlantic | | 37 | +⅞ | 37 | 23⅛ | 16,017 | 4.4 |
| BellSouth | | 37¼ | +⅞ | 37¼ | 25 | 18,387 | 4.7 |
| Bethlehem Steel | ♥ | 13⅛xd | +⅛ | 13⅛ | 5¼ | 1,187 | – |
| Bowater | | 1580pxd | +27 | 1637p | 905p | 685.3 | 4.8 |
| CPC | h | 32¼xd | +⅛ | 34 | 22⅞ | 4,980 | 2.3 |
| Cadiz Land Inc | ♥ | 116p | —— | 342p | 108p | – | – |
| California Engy | | 1417p | —— | 1417p | 591p | 258.8 | – |
| Chase Manhattan | | 21xd | +½ | 21 | 9⅛ | 3,227 | 3.6 |
| Chrysler | | 28⅞xd | +⅛ | 28⅞ | 8¼ | 7,870 | 1.4 |
| Citicorp | | 18xd | +⅛ | 18 | 5⅞ | 6,578 | – |
| Colgate-Palm | | 49⅞xd | +1⅝ | 43⅛ | 25¼ | 6,446 | 1.9 |
| Cont'l Bank | | 1674p | +29 | 1674p | 499p | 1,691 | 2.3 |
| Dana | | 32⅛xd | +½ | 32⅞ | 14⅞ | 1,510 | 3.1 |
| Data General | | 802p | −16 | 1004p | 384p | 221.3 | – |
| Decora Inds | ♥ | 148p | —— | 148p | 65p | – | – |
| Dun & Brad | | 39⅝ | +⅛ | 40½ | 27⅝ | 7,184 | 3.6 |
| Eaton | | 53⅞ | −⅛ | 54½ | 32½ | 1,883 | 2.6 |
| Echlin | | 18¼xd | +⅛ | 18¼ | 7⅞ | 1,048 | 2.4 |
| FPL | | 28⅛xd | +⅛ | 28⅛ | 17⅞ | 4,746 | 6.0 |
| Ford Motor | | 32½xd | +⅛ | 32½ | 15 | 15,863 | 1.9 |
| Gen Elect | | 58⅞xd | +⅛ | 59⅛ | 35¼ | 50,281 | 2.7 |
| General Host | ♥ | 654p | +8 | 654p | 380p | – | 3.4 |
| Gillette | | 38⅛xd | +1⅛ | 40 | 23⅞ | 8,474 | 1.2 |
| Hasbro | | 20⅞ | —— | 21½ | 12⅝ | 1,815 | 0.6 |
| Honeywell | h | 22⅞ | +⅛ | 22⅞ | 16 | 3,084 | 2.5 |

### CANADIANS

### BANKS

### BREWERS & DISTILLERS

### BUILDING MATERIALS

### BUILDING MATERIALS - Cont.

### BUSINESS SERVICES

### CHEMICALS

### CONGLOMERATES

### CONTRACTING & CONSTRUCTION

### ELECTRICALS

### ELECTRICITY

### ELECTRONICS

### ENGINEERING-AEROSPACE

### ENGINEERING-GENERAL

### ENGINEERING-GENERAL - Cont.

### FOOD MANUFACTURING

### FOOD RETAILING

### HEALTH & HOUSEHOLD

### HOTELS & LEISURE

### HOTELS & LEISURE - Cont.

### INSURANCE BROKERS

### INSURANCE COMPOSITE

### INSURANCE LIFE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

[illegible]

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

[illegible]

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

## OTHER UK UNIT TRUSTS

## INSURANCES

Continued on next page

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

**Prolific Life & Pensions Ltd**
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Life Funds | | | | |
| Balanced Grwth Mngd. | 675.3 | 718.5 | | – |
| Adventurous Mngd. | 166.3 | 177.2 | | – |
| Cautious Mngd. | 127.9 | 136.1 | | – |
| Cash Fd. | 317.0 | 334.1 | | – |
| Property Fund. | 216.7 | 230.6 | | – |
| Equity Fund. | 786.0 | 836.2 | | – |
| Fxd. Int. Fund. | 413.6 | 435.9 | | – |
| International | 348.3 | 370.6 | | – |
| High Income. | 598.7 | 637.0 | | – |
| Far East. | 463.6 | 493.2 | | – |
| North American. | 483.9 | 514.8 | | – |
| Special Sits. | 551.4 | 586.6 | | – |
| Technology. | 490.6 | 522.0 | | – |
| Extra Inc Fd. | 326.8 | 347.7 | | – |
| Convertible & Gilt Fd. | 158.1 | 168.2 | | – |
| American Income. | 190.8 | 203.0 | | – |
| Gilt Fund 20. | 445.6 | 474.1 | | – |
| European Fund. | 123.3 | 131.2 | | – |
| Pref & Fixed Int. | 113.3 | 120.6 | | – |
| UK Blue Chip. | 118.2 | 126.6 | | – |
| Recovery Fund. | 116.1 | 122.4 | | – |
| Equity Income Dist. | 108.7 | 115.7 | | 4.08 |
| Managed Dist. | 102.8 | 109.4 | | 5.40 |
| High Yield Dist. | 104.5 | 110.2 | | 8.35 |
| Pension Funds | | | | |
| Balncd Grh Mgd Pens Acc. | 790.7 | 832.4 | +0.2 | – |
| Adventurous Mgd Pens Acc. | 176.7 | 186.1 | | – |
| Cautious Mngd Pens Acc. | 148.1 | 155.9 | | – |
| Building Soc. Acc. | 365.6 | 384.9 | | – |
| Property Pens. Acc. | 295.4 | 311.0 | | – |
| Fix. Int. Pens. Acc. | 649.5 | 683.7 | | – |
| Equity Pens. Acc. | 1020.1 | 1073.8 | +0.4 | – |
| International Pens Acc. | 325.7 | 342.9 | | – |
| High Inc Pens Acc. | 675.3 | 710.9 | | – |
| Tech Pens Acc. | 348.8 | 367.2 | | – |
| N American Pens Acc. | 374.2 | 393.9 | | – |
| Far Eastern Pens Acc. | 470.3 | 495.1 | | – |
| Special Sits Pens Acc. | 454.5 | 478.5 | | – |
| Extra Income Pens Fd. | 402.4 | 423.6 | | – |
| Convertible & Gilt Pen | 192.3 | 202.5 | | – |
| American Inc Pens. | 221.5 | 233.2 | | – |
| European Pens. | 137.3 | 144.6 | | – |
| Managed Cash Pens. | 172.1 | 181.2 | | – |
| Pref & Fixed Pens. | 131.9 | 138.9 | | – |
| UK Blue Chip. | 125.7 | 132.4 | | – |
| Recovery Fund. | 124.9 | 131.5 | | – |
| Bal'ced With Profits Pens. | 108.6 | 114.4 | | – |
| Other Funds | | | | |
| Margetts Growth. | 120.5 | 126.9 | +2.4 | – |
| Margetts Income. | 123.4 | 129.9 | +1.6 | – |
| Margetts Pension. | 131.5 | 138.5 | +2.8 | – |
| B&B Select Mngd. | 108.4 | 114.2 | | – |
| HU Managed Pension | 129.4 | 136.3 | –0.2 | – |

**J Rothschild Assurance PLC**
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Life Funds | | | | |
| JRA/M&G Managed. | 117.4 | 123.6 | +0.2 | – |
| JRA/Scottish Amicable Mngd. | 113.6 | 119.6 | +0.3 | – |
| JRA/St James's Place Mngd. | 121.0 | 127.4 | +1.1 | – |
| Deposit. | 100.4 | 105.7 | — | – |
| Far East. | 116.7 | 122.9 | –0.4 | – |
| Gilts. | 106.5 | 112.2 | +0.2 | – |
| Greater European. | 114.0 | 120.0 | +0.7 | – |
| North American. | 137.1 | 144.4 | +1.5 | – |
| UK Equity. | 119.0 | 125.3 | +0.3 | – |
| Pension Funds | | | | |
| JRA/M&G Managed cap. | 115.9 | 122.0 | +0.4 | – |
| JRA/M&G Managed acc. | 120.0 | 126.4 | +0.5 | – |
| JR/Scottish Amicable Mngd cap. | 113.3 | 119.3 | +0.3 | – |
| JR/Scottish Amicable Mngd acc. | 117.4 | 123.6 | +0.3 | – |
| JR/St James's Pl Mngd cap. | 126.5 | 133.2 | +1.7 | – |
| JR/St James's Pl Mngd acc. | 131.0 | 137.9 | +1.7 | – |
| Deposit cap. | 100.2 | 105.5 | –0.1 | – |
| Deposit acc. | 103.8 | 109.3 | — | – |
| Far East cap. | 113.2 | 119.2 | –0.2 | – |
| Far East acc. | 117.3 | 123.5 | –0.2 | – |
| Gilts cap. | 104.2 | 109.7 | +0.2 | – |
| Gilts acc. | 107.9 | 113.6 | +0.2 | – |
| Greater European cap. | 114.7 | 120.8 | +0.9 | – |
| Greater European acc. | 118.9 | 125.2 | +1.0 | – |
| North American cap. | 136.1 | 143.3 | +2.1 | – |
| North American acc. | 141.0 | 148.5 | +2.3 | – |
| UK Equity cap. | 119.2 | 125.5 | +0.4 | – |
| UK Equity acc. | 123.5 | 130.0 | +0.5 | – |

**Royal Heritage Life Assurance Ltd**
Peterborough Business Pk, PE2 6GG 0733 390000

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Multi Gwth. | 593.8 | | — | – |
| Multi Gwth A Cap. | 388.1 | 408.5 | — | – |
| Multi Gwth A Accum. | 593.8 | 625.1 | — | – |
| Op Prop. | 408.7 | 430.3 | (z) | – |
| Op Equity. | 869.9 | 915.7 | (z) | – |
| Op High Yld. | 509.5 | 536.4 | (z) | – |
| Op Man. | 708.0 | 745.3 | (z) | – |
| Op Dep. | 370.3 | 389.8 | (z) | – |
| Op Inc Dist. | 203.0 | 213.7 | (z) | – |
| Op Itl Man. | 383.1 | 403.3 | (z) | – |
| Op Emerging Co's. | 422.1 | 444.4 | (z) | – |
| Op Money. | 103.1 | 108.6 | — | – |
| European. | 98.6 | 103.8 | — | – |
| Pension Funds | | | | |
| Property Ser B. | 759.9 | 799.9 | (z) | – |
| Equity Ser B. | 2579.1 | 2714.9 | (z) | – |
| Fixed Interest Ser B. | 960.7 | 1011.3 | (z) | – |
| Managed Ser B. | 1305.0 | 1373.7 | (z) | – |
| Deposit Ser B. | 782.8 | 823.0 | (z) | – |
| Money Ser B. | 102.8 | 108.3 | — | – |
| Property Ser D. | 190.5 | | (z) | – |
| Equity Ser D. | 177.4 | | (z) | – |

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **John Govett Management (IoM) Ltd** | | | | |
| Mt Govett Cur NAV Jan 29 | | $16.19 | ---- | - |
| Paragon Plus Red Jan 4 | | £9.99 | ---- | - |
| Paragon Stlg Red Jan 4 | | £11.52 | ---- | - |
| SE Asian Wt NAV Jan 28 | | $9.70 | ---- | - |
| Govett Mgd Fire Jan 29 | $13.66 | 14.94 | ---- | - |
| Govett Mngd Fxns Jan 29 | $9.64 | 10.55 | ---- | - |
| Nor Horizons Inv Jan 28 | | $16.45 | ---- | - |
| Nor Horizons Inv Wts Jan 28 | | $7.59 | ---- | - |
| Dllr Govern Bd Jan 29 | | $7.24 | ---- | - |
| **IBI Global Funds Limited** | | | | |
| Intl Stlg Gorth | £21.26 | 21.39 | +0.43 | - |
| Intl $US Gorth | $18.14 | 19.11 | -0.08 | - |
| High Income Gilt | £26.52 | 27.49 | +0.79 | - |
| International Equity | £22.12 | 23.29 | +0.77 | - |
| International Bond | £23.97 | 24.85 | +0.66 | - |
| Managed Currency | £27.98 | 28.28 | +0.22 | - |
| Sterling Currency | £26.73 | 27.01 | +0.01 | - |
| US$ Currency | $37.85 | 38.25 | +0.02 | - |
| Irish £ Currency | I£15.79 | 15.96 | +0.24 | - |
| **R & H Fund Managers Ltd** | | | | |
| LFM Sterling Fd | £11.16 | 11.64 | ---- | - |
| R.F. Offshore Inc Fd Ltd | £11.60 | 12.09 | ---- | - |
| **Target International (Isle of Man) Ltd** | | | | |
| HBC Offshore Fd | £9.65 | 10.44 | ---- | - |
| McJon Millies W/W $5 | £10.91 | 11.16 | ---- | - |

## JERSEY (SIB RECOGNISED)

| | Init. Charge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gr's |
|---|---|---|---|---|---|---|
| **AIB Fund Managers (CI) Ltd** | | | | | | |
| PO Box 468 St Helier Jersey | | | | | | 0534 36633 |
| **AIB Currency Funds Ltd** | | | | | | |
| Intl Managed Bond | 5 | | H- 22.4688 | 22.6172 | [illegible] | - |
| Managed Capital Bd | 5 | | H- 22.2695 | 22.3017 | [illegible] | - |
| **AIB Guaranteed Currency Fund Limited** | | | | | | |
| Stlg Mngd Currency | 4 | | £- | 11.0770 | [illegible] | - |
| Sterling Currency Fd | 3 | | £- | 10.6458 | [illegible] | - |
| Ecu Currency | 5 | | Ecu- | 11.0543 | [illegible] | - |
| US Dollar Mngd Curr | 5 | | $- | 21.7277 | [illegible] | - |
| **Barclays International Funds** | | | | | | |
| PO Box 152, St Helier, Jersey CI | | | | | | 0534 67888 |
| Australian Eq (Inc) | 5¼ | £0.932 | 0.937xd | 1.002 | [illegible] | 0.6 |
| Global Income (Inc) | 5¼ | £0.541 | 0.548xd | 0.586 | [illegible] | 3.0 |
| Global Resources | 5¼ | £0.440 | 0.445xd | 0.476 | [illegible] | 0.6 |
| **Currency Funds** | | | | | | |
| Stlg Premium Income | | £10.13 | 10.14xd | | +0.01 | 6.1 |

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Lloyds Bank Trust Co (CI) Mngrs** | | | | |
| Lloydstrust World Inv Port | £2.498 | 2.623 | ---- | 1.18 |
| Dealing Weekly on Thursday | | | | |
| **Management International (Jersey) Ltd** | | | | |
| Anchor Gilt Edge (z) | £9.99 | 10.04 | ---- | 9.37 |
| **Minerals, Oils Res. Shrs. Fd. Inc.** | | | | |
| Moros Jan 28 | $13.46 | 13.74 | ---- | 2.41 |
| **Nat. Westminster Jersey Fd. Mgrs. Ltd** | | | | |
| Sterling Income (z) | 54.7 | 57.0 | | 7.40 |
| UK Equity Fd (z) | 228.4 | 243.0 | +0.01 | 2.63 |
| *Intl Bond Fd | 97.9 | 101.0 | -- | 6.87 |
| *Sterling Mngd Assn Fd | 554.0 | 584.0xd | ---- | 5.00 |
| *Sub. day every Thurs. | | | | |
| **NatWest TrustCor Currency Fund (z)** | | | | |
| Dollar Class | | $38.2642 | +0.0061 | - |
| Sterling Class | | £27.1600 | +0.0044 | - |
| D-Mark Class | | DM84.5556 | +0.0178 | - |
| Japanese Yen Class | | Y7992.6170 | +0.6199 | - |
| **Adelaide Replica Portfolio Ltd** | | | | |
| Adelaide Replica Pfolio Ltd £ | 11.63 | 12.10 | +0.26 | - |
| Adelaide Replica Pfolio Ltd $ | $10.60 | 11.01 | +0.01 | - |
| **Northgate Unit Tst. Mngr. (Jersey) Ltd** | | | | |
| Pacific Fund Jan 14 | $35.05 | 37.26 | ---- | - |
| **Perpetual UT Mngrs (Jersey) Ltd** | | | | |
| Offshore Intl Gorth Fd | $3.7099 | 3.9426 | ---- | - |
| Offshore Japanese Gwth Fd | $0.9164 | 0.9739 | ---- | - |
| Offshore Am Gwth Fd | $6.8085 | 7.2354 | ---- | - |
| Offshore Emerging Cos | $4.0184 | 4.2703 | ---- | - |
| Offshore European Fd | $1.5056 | 1.6000 | ---- | - |
| Offshore Global Bond | $0.9722 | 1.0128 | ---- | - |
| Offshore Global Bond Acc | $0.9722 | 1.0128 | ---- | - |
| Offshore Far Eastern Fd | $2.3927 | 2.5428 | ---- | - |
| Offshore UK Growth Fd | $2.0166 | 2.1431 | ---- | - |
| **The Portugal Fund Limited** | | | | |
| Lloyds Bank Trust Company (Channel Islands) Ltd | | | | |
| NAV Jan 29 | | $4.33 | ---- | - |
| **Royal Bk of Scotland Fd Mngrs (Jersey) Ltd** | | | | |
| Ivory Growth Fund | £14.63 | 15.87 | ---- | 1.45 |
| LFM Defensive Strtgy | £11.31 | 11.90 | ---- | - |
| **Royal Trust Intl Fd Mngt Ltd** | | | | |
| Sterling Fixed Int. (z)t | 99.40 | 99.40xd | -1.00 | 6.87 |
| International Bond (z)t | $1.123 | 1.135xd | +0.002 | 5.24 |
| (Prices on Feb 3. Next dealing Feb 10. | | | | |
| **Schroder Mngt Services (Jersey) Ltd** | | | | |
| **Schroder Money Funds Ltd** | | | | |
| Sterling | | £36.8433 | +0.0379 | 6.66 |
| US $ | | $48.8750 | +0.0172 | 1.96 |
| D-Mark | | DM84.1849 | +0.1237 | 7.59 |
| Swiss Franc | | SF77.9712 | +0.0664 | 4.26 |

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sudden return to turbulence

PRESSURES inside the European exchange rate mechanism intensified yesterday after the Danish krone fell to its floors against 3 of the system's currencies in a sharp burst of speculative selling, *writes James Blitz.*

The comparative calm that followed the devaluation of the Irish punt was rudely shattered as the krone became the sixth currency in the ERM to be threatened with devaluation.

The krone had spent the first two days of this week on its ERM floor against the Irish punt. Yesterday, in the most turbulent day on the foreign exchanges since the autumn currency crisis, the Danish currency fell to its floors against the Dutch guilder and the D-Mark, despite a rise in Danish interest rates and heavy central bank intervention.

After ERM trading closed yesterday, the krone was trading at DKr3.8954 to the D-Mark, narrowly above its ERM floor of DKr3.9016.

The outlook for the Danish currency looked grim last night, partly because Danish investors had sold their currency in large quantities, a sign of acute currency weakness.

The Belgian franc's fall to third from bottom of the ERM grid also indicated how serious tensions in the ERM have suddenly become.

The Belgian currency's fortunes are closely linked to the D-Mark's. But yesterday, 3 month Belgian francs were trading about 20 basis points above 3-month D-Marks, a sign that investors may be looking for a premium against the break-up of the ERM.

The pound dropped to historic new lows against the D-Mark, the French franc and the Japanese yen in European trading. It closed in London at DM2.3600, down 1½ pfennigs on the day and at FFr8.003 against the French franc.

The pound also slumped during the day to a new 1993 low of $1.4255 against a dollar which itself reached a 9-month high against the D-Mark. The pound closed in London at $1.4340, down more than a cent on the day.

Yesterday's selling of the pound appeared to be short-term interbank speculation rather than investment fund selling.

Mr Mark Austin of Midland Global Markets said that sales had been "sporadic." "I would be surprised to see the pound go down from here in the near term," he added.

Mr Avinash Persaud, a currency economist at UBS Phillips and Drew, was extremely pessimistic about the pound because money market dealers have already discounted a 100 basis point cut in base rates by the summer.

The fall, he said, could only be explained by a loss of confidence in the government's strategy and a belief that it was pursuing a policy of "benign neglect," towards the exchange rate.

"There is a risk of a vertical fall for sterling which would have a very serious impact on financial markets," he said.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Feb 3 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 142.150 | 138.283 | -2.72 | 4.49 | 48 |
| Portuguese Escudo | 180.624 | 175.922 | -2.60 | 4.37 | 44 |
| Irish Punt | 0.809996 | 0.805087 | -0.61 | 2.27 | 31 |
| Dutch Guilder | 2.20045 | 2.18788 | -0.57 | 2.23 | 32 |
| D-Mark | 1.95294 | 1.94346 | -0.49 | 2.15 | 37 |
| Belgian Franc | 40.2802 | 40.0852 | -0.48 | 2.14 | 27 |

### £ IN NEW YORK

### STERLING INDEX

### CURRENCY RATES

### CURRENCY MOVEMENTS

### OTHER CURRENCIES

### POUND SPOT - FORWARD AGAINST THE POUND

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

## FINANCIAL FUTURES AND OPTIONS

### LONDON (LIFFE)

### CHICAGO

### PARIS

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | Mount Banking | 7 |
| Allied Trust Bank | 6 | Duncan Lawrie | 6 | NatWestminster | 6 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | Northern Bank Ltd | 7 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | Nykredit Mortgage Bnk | 6.5 |
| B & C Merchant Bank | 6 | Financial & Gen Bank | 7 | ●Rea Brothers | 6 |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Roxburghe Bank Ltd | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | Royal Bk of Scotland | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | Standard Chartered | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | TSB | 6 |
| Bank of Scotland | 6 | Heritable & Gen Inv Bk | 6 | ●United Bk of Kuwait | 6 |
| Barclays Bank | 6 | ●Hill Samuel | 6 | Unity Trust Bank Plc | 6 |
| Brit Bk of Mid East | 6 | C. Hoare & Co | 6 | Western Trust | 6 |
| ●Brown Shipley | 6 | Hongkong & Shanghai | 6 | Whiteaway Laidlaw | 6 |
| CL Bank Nederland | 6 | ●Julian Hodge Bank | 6 | Yorkshire Bank | 6 |
| Citibank NA | 6 | ●Leopold Joseph & Sons | 6 | | |
| ●City Merchants Bank | 6 | Lloyds Bank | 6 | | |
| Clydesdale Bank | 6 | Meghraj Bank Ltd | 6 | | |
| The Co-operative Bank | 6 | Midland Bank | 6 | | |
| Coutts & Co | 6 | | | | |
| Credit Lyonnais | 6 | | | | |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKET FUNDS

### Money Market Trust Funds

### Money Market Bank Accounts

## MONEY MARKETS

# Still looking for a cut

DEALERS in the sterling money market assumed that the prospects of another UK rate cut before the March budget were diminishing after the pound fell to historic new lows against the D-Mark yesterday morning, *writes James Blitz.*

The UK authorities announced that they would be closely monitoring sterling's exchange rate as the currency fell to a historic new low on its trade weighted index.

The implication was that the currency's fall could be of sufficient concern to ward off another rate cut in the next few months.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

However, far from assuming that there would be no more rate cuts, dealers simply took the view that the cut to 5 per cent was more likely in the summer rather than the spring.

The March short sterling contract fell 9 basis points to a low of 94.21, before closing at 94.30. At this level, it assumes that 3-month money at budget time will be at 5.70 per cent.

The September short sterling contract rose 5 basis points to close at 94.80.

At this level, it assumes 3-month money will be at 5.20 per cent by the autumn, a level that is clearly compatible with 5 per cent base rates.

The shape of the futures yield curve indicates that rates should rise after September. However, the curve in the sterling cash market continued to decline down to about 5¾ per cent for 1 year money.

Dealers in European interest rate markets were more overtly concerned about currency tensions inside the European exchange rate mechanism.

One-month French francs touched 13 per cent as the Danish krone fell to its floor against the D-Mark. The March French franc contract fell 24 basis points from its opening level to close at 88.50.

The Bundesbank was slightly more generous than had been expected in its weekly repo, accepting a lowest bid of 8.57 per cent.

But neither this, nor the absence of concrete news on the public sector wage talks in Germany, indicated what the Bundesbank will do at its council meeting today on rates.

Any bullishness was founded on the idea that pressures in the exchange rate mechanism made a cut in official rates more likely at today's council meeting to restore calm.

The March Euromark contract closed up 5 basis points at 92.14.

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES



## CROSSWORD

No.8,068 Set by VIXEN

**ACROSS**

1 Trounces rebels and makes reports (8)
5 The joint's without credit? That's a laugh! (6)
9 "Fruit" in the Chinese language (8)
10 Shut up in winter, naturally (6)
12 Beastly creatures – a quarter drink (5)
13 A cockney wants endless comfort and loving (4,5)
14 New camp – it will make an impression (6)
16 Smuggled before bag search (7)
19 Sap going after a vehicle in a vivid red (7)
21 A vendor of fruit taking in five hundred pounds (6)
23 Put out over change of diet (9)
25 A flower for Bonnie's partner (5)
26 Applying to characters having a leaning to the right (6)
27 Iron cutback (8)
28 Unsophisticated oriental novelist (6)
29 Keeping pace with conservationists, so clamorous (8)

**DOWN**

1 Misers can get careless (6)
2 He acknowledges to study harder is essential (9)
3 Superior philosopher given employment (5)
4 Poseidon took this in hand (7)
6 Affected to be solicitous (9)
7 Newspaper leader holding males would appear better (5)
8 Frame housing with the right plant (8)
11 Superseded top man in a most sardonic mood (4)
15 Adapt to it again and there'll be trouble (9)
17 Nevertheless the speed is immaterial (2,3,4)
18 Carol set about the company for twisting (8)
20 Discharge when time's up (4)
21 Offer conveyed beforehand? (7)
22 Regret taking exercise in break (6)
24 Look for very little (5)
25 A terrier's to be seen about – or a regular soldier (5)

**Solution to Puzzle No.8,067**

GOTOFF CHERUB / OVERDUE PRELATE / BRAINDRAIN STAG / NURSE DECIPHER / OVERUSED WEEDS / WREN RATHERGOOD / CAVEDIN BEAGLES / LOSING CLOSET

# WORLD STOCK MARKETS

## CANADA

TORONTO

4 pm close February 3

## INDICES

### STANDARD AND POOR'S

| | | | | | | |
|---|---|---|---|---|---|---|
| Composite ‡ | 442.56 | 442.52 | 438.75 | 438.68 | 442.56 (2/2/93) | 394.50 (8/4/92) |
| Industrials | 511.59 | 512.23 | 508.56 | 508.30 | 515.75 (18/12/92) | 470.91 (8/4/92) |
| Financial | 43.11 | 42.84 | 42.25 | 42.16 | 43.11 (2/2/93) | 32.40 (8/4/92) |
| NYSE Composite | 243.88 | 243.81 | 241.92 | 241.70 | 243.88 (2/2/93) | 217.92 (8/4/92) |
| Amex Mkt. Value | 412.18 | 411.83 | 411.05 | 410.49 | 418.99 (12/2/92) | 364.85 (9/10/92) |
| NASDAQ Composite | 705.12 | 701.27 | 696.34 | 694.67 | 707.16 (25/1/93) | 547.84 (26/6/92) |

| | Jan 29 | Jan 22 | Jan 15 |
|---|---|---|---|
| Dow Industrial Div. Yield | 3.13 | 3.18 | 3.17 |
| | Jan 27 | Jan 20 | Jan 13 |
| S & P Industrial div yield | 2.51 | 2.60 | 2.59 |
| S & P Indl. P/E ratio | 25.96 | 25.62 | 25.70 |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Merck | 7,884,500 | 37¼ | - 1⅛ |
| Glaxo | 7,099,900 | 19⅞ | - 1 |
| RJR Nabisco | 4,716,800 | 8⅞ | - ¼ |
| Telefonos | 4,122,200 | 52½ | - ⅞ |
| Bristol Myers | 3,622,000 | 58⅛ | - 1⅛ |
| Motorola | 3,595,700 | 54¼ | + ½ |
| Dev Divers | 3,400,900 | 24¼ | --- |
| Amer Express | 2,943,300 | 24¼ | + ⅛ |
| Jhnsn & Jhnsn | 2,670,600 | 43½ | - ½ |
| IBM | 2,631,200 | 52⅛ | - ½ |

### TRADING ACTIVITY

| † Volume | Feb 2 |
|---|---|
| New York SE | 270.767 |
| Amex | 18.954 |
| NASDAQ | 254.081 |
| NYSE | |
| Issues Traded | 2,437 |
| Rises | 1,081 |
| Falls | 787 |
| Unchanged | 569 |
| New Highs | 171 |
| New Lows | 23 |

### CANADA TORONTO

| | Feb 2 | Feb 1 | Jan 29 | Jan 28 | 1992/93 HIGH |
|---|---|---|---|---|---|
| Metals & Minerals | 2774.95 | 2765.61 | 2773.54 | 2782.42 | 3238.87 (15/1/92) |
| Composite | 3321.83 | 3310.92 | 3305.47 | 3307.92 | 3686.00 (16/1/92) |
| MONTREAL Portfolio | 1743.72 | 1728.10 | 1733.12 | 1744.52 | 1837.59 (16/1/92) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. (c) Closed. (u) Unavailable. The DJ Indl. index theoretical ... highest and lowest prices reached during the day by each stock; ... by Telekurs) represent the highest and lowest values that the ... (brackets are previous day's).

| | | | | |
|---|---|---|---|---|
| WORLD M.S. Capital Intl.(1/1/70) $ | 499.6* | 498.8 | 498.9 | 497.8 |
| Euro Top-100 (26/6/90) | 885.44 | 885.57 | 884.47 | 877.73 |

**Saturday January 30: Taiwan Weighted Price: 3,374.58; Korea Comp Ex. 670.54
▼ Subject to official recalculation.

## TOKYO - Most Active Stocks

Wednesday, 3rd February 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Isuzu Motor | 23.9m | 380 | +8 |
| Joyo Bank | 10.2m | 850 | -10 |
| Oki Electric | 6.5m | 391 | +18 |
| Green Cross | 6.4m | 1,280 | -20 |
| Ricoh | 3.2m | 615 | +21 |
| Nissan Motor | 2.9m | 625 | -11 |
| Nikon Corp | 2.9m | 789 | +8 |
| Toshiba | 2.8m | 606 | -6 |
| Tokio M&F Ins | 2.6m | 1,220 | +30 |
| Nippon Express | 2.6m | 749 | +2 |

4 pm close February 3

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992/93 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

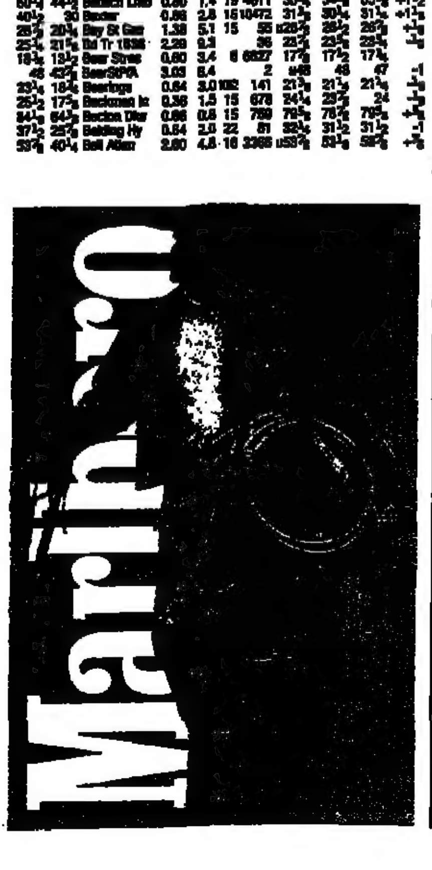
- N -

- O -

- P - Q -

- R -

Continued




مكتبة الأصل

# NYSE COMPOSITE PRICES

Continued from previous page

- S -

| 1992/93 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 21 | 16⅞ | S Anita Rt | 1.36 | 7.5 | 25 | 221 | 18⅜ | 18 | 18¼ | +¼ |
| 19½ | 13⅛ | SCOR US Cp | 0.28 | 1.5 | 18 | 15 | 18¾ | 18⅜ | 18¾ | +⅜ |
| 29½ | 19 | SPS Techno | 1.28 | 6.0 | 95 | 341 | 21½ | 20⅞ | 21½ | +⅜ |
| 15⅝ | 12⅛ | Sabine Rt | 1.55 | 11.8 | 10 | 25 | 13¼ | 13⅛ | 13⅛ | +¼ |
| 11⅞ | 7¾ | Safecard | 0.10 | 0.9 | 14 | 465 | 10⅞ | 10½ | 10⅝ | |
| 23½ | 11¼ | Safeg'd Sc | | | 11 | 288 | u23½ | 23¼ | 23½ | +⅛ |
| 32¼ | 22⅝ | SafetyKln | 0.24 | 1.4 | 28 | 1100 | 24⅛ | 23¾ | 23⅞ | -⅛ |
| 30⅛ | 8⅝ | Safeway | | | 50 | 1456 | 13¾ | 13½ | 13⅝ | |
| 4⅝ | 2 | SafewayW98 | | | | 153 | 2¾ | 2¼ | 2¼ | -⅛ |
| 41⅞ | 29⅞ | StJoePaper | 0.20 | 0.5 | 43 | 34 | 38⅛ | 37⅞ | 37⅞ | -¼ |
| 34¼ | 28⅞ | SLineL&P x | 1.76 | 5.3 | 14 | 11 | 33 | 32⅝ | 33 | +⅜ |
| 80¾ | 65½ | St Paul's | 2.72 | 3.4 | 20 | 2325 | 80¼ | 79 | 80¼ | +1⅛ |
| 10 | 2⅝ | Salant Crp | | | 5 | 61 | 8 | 8⅝ | 8 | |
| 76 | 61⅞ | Sallie Mae | 1.20 | 1.7 | 16 | 12704 | 71½ | 67½ | 70⅛ | -2⅝ |
| 14⅝ | 13 | Salomon Br | 0.61 | 4.5 | | 741 | 13⅝ | 13⅜ | 13½ | +⅛ |
| 39 | 20¼ | Salomoninc | 0.64 | 1.6 | 14 | 8071 | u40 | 38½ | 40 | +3 |
| 25 | 21¼ | SanDgo G&E | 1.44 | 5.8 | 14 | 548 | u25 | 24¾ | 25 | +¼ |
| 4⅝ | 2⅜ | SantaFeEDu | 0.40 | 11.0 | 40 | 96 | 3⅞ | 3⅝ | 3⅝ | -¼ |
| 9⅞ | 7 | SantaFeEPs | 0.10 | 1.7 | 135 | 1635 | 9½ | 9⅜ | 9½ | +¼ |
| 39¾ | 30¼ | SantaFePac | 2.80 | 7.3 | 13 | 45 | 38¾ | 38⅜ | 38⅜ | -¼ |
| 14¾ | 10⅝ | SantaFeSth | 0.10 | 0.7 | 43 | 5380 | u14⅞ | 14½ | 14⅝ | -⅛ |
| 32½ | 27 | Sara Lee | 0.58 | 2.0 | 21 | 6165 | 28⅞ | 28⅜ | 28¾ | +⅛ |
| 44⅝ | 38⅝ | Scana Corp | 2.88 | 6.2 | 15 | 232 | 43¾ | 42¾ | 43¼ | +⅜ |
| 47⅞ | 40⅛ | Scecorp | 2.80 | 6.1 | 13 | 7830 | 46⅛ | 45⅝ | 45¾ | -⅛ |
| 38⅞ | 22⅛ | SchererRP | | | 27 | 809 | 30⅞ | 29½ | 29¾ | -1⅛ |
| 70 | 49⅞ | SchoringPl x | 1.56 | 2.8 | 16 | 12070 | 58⅝ | 58⅛ | 58⅜ | -⅝ |
| 70⅝ | 62¾ | Schl'berger | 1.20 | 2.0 | 21 | 6670 | 58⅞ | 58¼ | 58⅜ | -⅝ |

# NASDAQ NATIONAL MARKET

4 pm close February 3

# AMEX COMPOSITE PRICES

4 pm close February 3

AMERICA

# Good company results give equities a lift

## Wall Street

A combination of strong corporate results, the successful completion of Chrysler's huge share offering and firmer stock-index futures provided US stock markets with a big lift yesterday, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 43.23 at 3,371.90. The more broadly-based Standard & Poor's 500 was 3.29 higher at 445.85, while the Amex composite was up 2.22 at 414.40, and the Nasdaq composite 3.76 firmer at 708.88. Trading volume on the NYSE was 210m shares by 1 pm.

There was no single factor behind yesterday's big gains. The markets, however, were delighted at the way Chrysler's $1.78bn stock sale went on Tuesday. Strong demand from investors pushed up the price of the offering late in the day, allowing the carmaker to issue more shares, making it the second largest public stock offering in US history. The decision by Standard & Poor's, the big ratings agency, to upgrade its ratings on Chrysler's debt yesterday also boosted sentiment.

Other factors driving prices higher were more strong fourth quarter earnings, notably from Salomon and Minnesota Mining & Manufacturing, higher bond prices, and demand for stock-index futures in the Chicago derivatives markets. The economic background was also positive, with the string of recent bullish data pointing to solid growth.

MEXICO *extended its run of* weakness on higher interest rates, fears of equity oversupply and worries about delays in the approval of the NAFTA free trade agreement. The IPC index fell another 40.14, or 2.5 per cent, to 1,584.01 at midsession after Tuesday's 2.4 per cent decline, bringing its fall to 10 per cent since the beginning of 1993.

Chrysler was the most heavily traded stock, with more than 10m shares changing hands following Tuesday's offering. By early afternoon the stock was unchanged at $38¾, the price at which the 46m new shares were sold.

Salomon jumped $2¼ to $39¼, a 52-week high, after reporting fourth quarter profits of $143m, a big turnaround from the $29m loss incurred at the same stage of 1991.

Minnesota Mining & Manufacturing climbed $2 to $100⅞ in volume of almost ½m shares after the company announced fourth quarter net income of $289m, up from $259m a year ago. Although the latest figures were affected by one-off gains, charges and writedowns, the special factors cancelled each other out.

JC Penney jumped $3⅜ to $77 in busy trading after Mr Wayne Hood, an analyst with the broking house Prudential Securities, upgraded his recommendation on the retailer's stock from "hold" to "buy".

In the Nasdaq market, leading issues languished while lesser-known stocks lifted the composite index to record levels. Jimbo's Jumbos rose $1⅞ to $6¾ after Chock Full O'Nuts agreed to sell its 73 per cent stake for $7 a share to a partnership headed by the billionaire investor, Mr John Kluge.

## Canada

TORONTO gained in tandem with Wall Street, although losses in golds and real estate shares restrained activity.

By midsession, the TSE-300 index was 11.57 higher at 3,333.4. Actives included Royal Trustco which gained 13 cents to C$1.39 in heavy trade on speculation that it may soon receive an equity injection.

EUROPE

# Funny money prospects intrigue Paris

THE prospect of funny money extending into more European equity markets excited dealers in some bourses yesterday, *writes Our Markets Staff.*

However, international observers noted that the thrill of it all seemed largely absent in Dublin, three days after the Irish devaluation took place.

PARIS rose by 2.1 per cent on talk of a franc devaluation. In spite of deep scepticism among traders, the CAC 40 index closed 36.83 higher at 1,824.14, featuring gains in shares with large US operations or dollar earnings.

Michelin moved against the trend on talk of earnings downgrades, although BNP denied that it had cut its earnings forecasts for the tyremaker. The shares fell FFr3 to FFr184.10. Among a general rise in blue chips, oils extended their gains on the strong dollar with Elf FFr14.80 higher at FFr347.80 and Total FFr5.10 better at FFr231.50.

NatWest Securities observed yesterday that the market had underperformed its European counterparts, although it had posted a rise since its low last October. NatWest forecast a 15 per cent appreciation in Paris over the next twelve months.

DUBLIN'S ISEQ overall index fell 19.62, or 1.5 per cent to 1,324.44.

FRANKFURT majored on the prospect of a restrained wage round in West Germany, the DAX index closing 18.44 higher at 1,601.53, its strongest finish since August last year.

There was renewed speculation about interest rates although Mr Reinhard Fischer of Paribas Capital Markets thought that the Bundesbank would adopt "salami tactics", with interest rate cuts coming in very thin slices this year.

Turnover climbed from DM5bn to DM6.6bn, the recently resurgent Siemens by far the most active stock in DM1.34bn as it rose another DM8.30 to DM614.80.

However, there was bigger share price upside in construction and retailing, regarded as recently underperforming sectors with earnings potential. Gains were led by Hochtief and Holzmann, up DM45 and DM37 to DM1,023 and DM868 respectively, and by Kaufhof, DM15 better at DM426.

AMSTERDAM saw Daf marked down to FL 1.65 – 64 per cent below Monday's Fl 4.55 close – as the shares resumed trading in the unofficial sector of the bourse. By the close, the price had picked up to Fl 1.80.

Overall the bourse was mixed with the CBS Tendency index down 1.2 at 96.8.

| FT-SE Actuaries Share Indices | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| February 3 | | | | | | | | THE EUROPEAN SERIES |
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1091.97 | 1093.44 | 1093.13 | 1094.36 | 1095.55 | 1094.58 | 1096.18 | 1097.03 |
| FT-SE Eurotrack 200 | 1157.72 | 1157.93 | 1157.85 | 1159.88 | 1160.15 | 1160.21 | 1165.09 | 1171.25 |
| | Feb 2 | Feb 1 | Jan 29 | Jan 28 | Jan 27 | | | |
| FT-SE Eurotrack 100 | 1089.43 | 1088.01 | 1079.18 | 1072.70 | 1072.28 | | | |
| FT-SE Eurotrack 200 | 1155.59 | 1158.83 | 1148.15 | 1148.06 | 1147.75 | | | |

Base value 1000 (26/10/90) High/day 100 - 1097.64; 200 - 1171.25 Low/day 100 - 1091.39 200 - 1155.94

Daf's problems again depressed its creditors. ABN Amro, *estimated to have lent* Fl 1.25bn to the truckmaker, dipped 40 cents to Fl 51.30; ING, which has a 10.6 per cent Daf holding, shed 10 cents in early trading but picked up to end unchanged at Fl 58.40.

Reports that Fokker was seeking a Fl 1bn loan from the Nationale Investeringsbank, in case Deutsche Aerospace abandons its takeover plans, left the Dutch aircraft maker Fl 3.30 lower at Fl 10.20.

Nedlloyd, the transport company, fell Fl 2.50 to Fl 26.30 after rumours, denied by the company, that its banks were halting its credit lines.

KLM fell Fl 1.90 amid concern over results due today.

MILAN was mixed with domestic investors dominating trading. The Comit index edged 0.51 lower to 490.99.

A generally bullish trend in much of the industrial sector *passed Olivetti by as the share* fell L64 lire to L1,899 following Tuesday's confirmation from Mr Carlo De Benedetti, its chairman, of a 1992 operating loss of L300bn-L350bn.

Montedison fixed unchanged but rose to L1,220 after-hours and its parent Ferruzzi Finanziaria was L55 ahead at L1,205 on renewed speculation that it was planning to sell its Farmitalia Carlo Erba subsidiary to Kabi Pharmacia, the pharmaceutical arm of Sweden's Procordia which refused to comment.

STOCKHOLM turned lower as the white goods maker, Electrolux, said that it plans to halve its 1992 dividend, leaving investors concerned that other companies could follow suit. Electrolux B shed SKr13 to SKr212 on the dividend cut and the Affärsvärlden index fell 6.0 to 902.6.

Volvo B was the day's most heavily traded issue, falling SKr5 to SKr373 in turnover of SKr124m, partly on concern about possible US import tariffs on cars.

Ericsson moved in the opposite direction, adding SKr2 to SKr177 as it announced a new SKr1.2bn defence contract. Procordia rose SKr3 to SKr175.

ZURICH had a mixed day and the SMI index rose 1.9 to 2,120.6. SBC bearers rose SFr7 to SFr337 in response to the Tuesday's announcement that had lifted parent company net profit and planned to switch its certificates into bearer shares and to split the registered shares.

MADRID rose strongly in active trade, supported by strong foreign buying. The general index closed 2.42 higher at 236.40, a new high for the year. Volume was strong, although down from Tuesday's Pta26.6bn at around Pta19bn.

Telefonica was highly active as it hit an intraday record high of Pta1,360 before subsiding to Pta1,330, up Pta15. Banco Bilbao Vizcaya (BBV) also attracted overseas fund managers, impressed with its fourth quarter earnings. BBV shares rose Pta100 to Pta2,860.

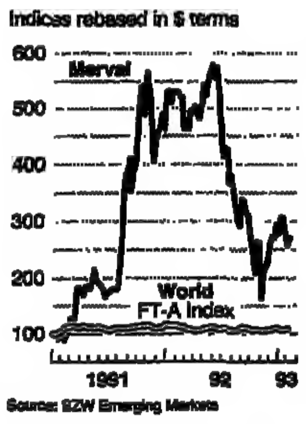
# Buenos Aires eases back after rollercoaster ride

**John Barham** on prospects for Argentine equities

ARGENTINA was never going to be a smooth ride, but even hard bitten players of the developing world's equity markets have had an uncomfortable time over the last few months.

After crashing 48 per cent in the second half of 1992, and then recovering strongly through until mid-January, the market has seen its upward surge peter out. Yesterday the Merval index closed at 413.38, 3 per cent down since the beginning of the year.

Brokers, eternal optimists, say that this will be the year when Buenos Aires finally breaks with its speculative past and starts growing into a mature capital market. Although they have been saying this for a long time, and even though Argentines still play the market as if it were a casino, as long as Argentina's free market reforms remain on track its equity markets will probably remain attractive.



Source: BZW Emerging Markets

Mr Eduardo Tapia, director general of Baring Securities Argentina SA, doubts that there much chance of a repeat of the 1991 boom which drove prices up by 372 per cent, because investors' funds,mre-sources and new share issues waiting to hit the market will cancel each other out. "There will not be a boom," says Mr Tapia, "but a positive trend all along the year."

This hypothesis has its weaknesses. Argentine shares are not exactly cheap. Baring's forecasts indicate a price earnings ratio of 13.1 for the market this year, against 16.9 for 1992. On the other side of the coin, there is no underestimating Argentines' herd instinct. On Friday, within minutes of the government announcing new measures deregulating financing markets, share prices began rising, to close 9 per cent up in the day.

Argentines account for two-thirds of market turnover. As soon as they notice foreigners entering the market in force, which is widely believed to signal a change in market fortunes, they too frantically pile in and push prices to unsustainable levels.

This situation could lead to a sharp downward correction which would shake the market, deflect capital from Argentina and discourage new companies from entering the market. About three dozen new companies are in the pipeline for a market debut at the moment.

The greatest fear of all surrounds President Carlos Menem's determination to amend the constitution, which bans re-election of incumbents, and so stand for re-election when his term ends in 1995. To do so, he must sweep congressional elections slated for this autumn and win two-thirds of the seats in the lower house of Congress.

Investors worry that Mr Menem will slacken his reforms to win the elections.

Alternatively, defeat could fatally damage his authority. Any sign of political compromise or weakness could lead to a massive capital outflow, further undermining confidence.

Pessimists point to the government's failure to win passage through Congress of key labour and social security reforms. Trade unions, which still retain considerable influence, are successfully resisting both measures, which would reduce companies' costs and create a private pension fund system, the basis of any modern stock market.

Disquiet over Mr Menem's future is likely to grow in the second half, as election day approaches and as the overheated economy, which the government says grew 9 per cent in 1992, settles down to growth of about 3-4 per cent.

But analysts say that this scenario should not be overrated. The government's credibility is based on maintaining the pace of reform. Devaluation of the overvalued peso is also ruled out for political reasons and because Argentina's big companies – traditionally, powerful supporters of a cheap peso – have taken on heavy hard currency debts.

Companies that restructure are going to be OK", says Mr Christopher Ecclestons, equities analyst at the Buenos Aires brokers Elizalde & Cia. Argentina's big companies are undoubtedly embarked on a "dramatic reform process", he says, but he warns local investors, in particular, not to hold their breath. Argentina set out two years ago on a road that took 20 years to bear fruit in Chile, and 10 years in Mexico.

ASIA PACIFIC

# Tokyo rises ahead of land auction result

## Tokyo

SHARE PRICES surged on expectations of an imminent discount rate cut, but the Nikkei average lost most of the gains on profit-taking to close marginally higher, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 35.72 ahead at 17,222.03. The index, which dipped to the day's low of 17,214.21 in the morning session, shot up to a high of 17,419.18 on reports of a possible 0.75 percentage point cut in the discount rate this week.

Volume rose to 340m shares from 244m and gains led declines by 551 to 309, with 187 issues unchanged. The Topix index of all first section stocks rose 5.79 to 1,307.60, its seventh consecutive rise. In London, the ISE/Nikkei 50 index fell 0.76 to 1,062.8.

Prices remained firm for much of the session on speculation of a rate cut from 3.25 per cent to 2.5 per cent, which would match the all-time low seen during the so-called "bubble boom" from 1987 to 1989. On the money market, rates on three-month certificates of deposit fell to a record low of 3.25 per cent, although profit taking took the yield on the 10 year No 145 benchmark bond up by 6 basis points to 4.34 per cent.

Equity investors took profits after the intraday rise. Valuations for the current market, with the Nikkei at an price-earnings ratio of 55, are also regarded as too expensive by some investors.

Some leading banks were higher on hopes of larger profit margins after a discount rate cut. Short covering also helped to boost prices. Industrial Bank of Japan rose Y10 to Y2,430 and Sakura Bank gained Y10 to Y1,200.

Kyocera expanded the previous day's losses, falling Y50 to Y4,310. Concerns over a lawsuit filed by IBM of the US against Kyocera's use of its software programs depressed sentiment. Isuzu Motors was the most active issue of the day, rising Y8 to Y360.

In Osaka, the OSE average rose 104.04 to 18,673.09 in volume of 43.4m shares.

## Roundup

Political considerations weighed on a number of the region's markets.

HONG KONG closed higher, although business slowed to a crawl in afternoon trading. Investors were awaiting the results of a government land auction which produced record prices, but came after hours.

The Hang Seng index finished 48.27 ahead at 5,710.80 in turnover of HK$1.6bn. Shares derived early strength from the view that Governor Chris Patten's medical treatment could take some of the heat out of the Sino-British row over the territory's political future, at least for the time being.

AUSTRALIA was restrained by uncertainty over the date and outcome of the federal elections; the All Ordinaries index was unchanged at 1,530.2 in turnover up from A$193m to A$238m.

Coles Myer – outdone in sales growth for the first half by its rival retailer, Woolworths – fell 5 cents to A$4.50. Nine Network Australia shed 11 cents to A$2.65, concerned that it might soon face competition from cable television.

SINGAPORE turned lower. The Straits Times Industrial index fell 5.29 to 1,637.59 in volume of 139.52m shares after setting record highs on three consecutive days. SEOUL picked up after late intervention by institutional investors and the composite index firmed 12.16 to 678.34.

KUALA LUMPUR was broadly higher after an uncertain start, extending Tuesday's gains. The composite index rose 10.86 to 639.24. JAKARTA was led up by the banking sector as the composite index rose 10.86 to 639.24.

BANGKOK saw selective buying in some big banks and properties take the SET index 5.46 higher to 975.26.

TAIWAN rose for the fourth straight day in a rally sparked by an easing of political tensions after Premier Hau Pei-tsun announced he would resign. The weighted index, which was up about 50 points at one stage, closed 11.10 ahead at 3,553.36.

## SOUTH AFRICA

*JOHANNESBURG closed steady to firmer, but unimpressed by a possible easing in monetary policy. Dealers said they wanted a bank rate cut as the overall index ended 5 higher at 3,457. Industrials slipped 8 to 4,536 and the gold index shed 1 point to 893.*

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY FEBRUARY 2 1993 | | | | | | | | MONDAY FEBRUARY 1 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992/93 High | 1992/93 Low | Year ago (approx) |
| Australia (68) | 121.05 | +0.5 | 124.11 | 95.53 | 103.34 | 118.63 | +0.0 | 4.10 | 120.49 | 122.90 | 95.17 | 102.55 | 118.69 | 153.68 | 108.18 | 143.44 |
| Austria (18) | 139.50 | −0.1 | 143.03 | 110.10 | 119.09 | 119.21 | +0.6 | 1.88 | 139.63 | 142.42 | 110.28 | 118.83 | 118.44 | 188.70 | 131.16 | 176.44 |
| Belgium (42) | 139.88 | −0.2 | 143.42 | 110.39 | 119.41 | 116.77 | +0.2 | 5.17 | 140.22 | 143.02 | 110.74 | 119.33 | 116.53 | 152.27 | 131.19 | 142.67 |
| Canada (113) | 114.33 | +0.3 | 117.22 | 90.22 | 97.59 | 104.52 | +0.2 | 3.16 | 113.98 | 116.26 | 90.02 | 96.99 | 104.32 | 142.12 | 111.36 | 137.41 |
| Denmark (33) | 204.43 | +0.3 | 209.60 | 161.34 | 174.52 | 176.14 | +0.7 | 1.55 | 203.91 | 207.99 | 161.06 | 173.54 | 174.93 | 273.94 | 181.70 | 265.35 |
| Finland (23) | 67.20 | −0.6 | 68.90 | 53.03 | 57.37 | 79.33 | −0.8 | 1.78 | 67.60 | 68.95 | 53.39 | 57.53 | 79.94 | 89.80 | 52.84 | 87.54 |
| France (98) | 142.90 | −0.3 | 146.52 | 112.77 | 121.98 | 124.52 | +0.1 | 3.60 | 143.28 | 146.15 | 113.16 | 121.93 | 124.40 | 168.75 | 136.83 | 150.78 |
| Germany (62) | 105.57 | −0.4 | 108.24 | 83.32 | 90.12 | 90.12 | −0.1 | 2.53 | 105.96 | 108.08 | 83.70 | 90.18 | 90.18 | 129.69 | 101.59 | 119.68 |
| Hong Kong (55) | 225.77 | −0.8 | 231.48 | 178.17 | 192.74 | 224.19 | −0.8 | 4.03 | 227.56 | 232.11 | 179.73 | 193.66 | 225.91 | 262.28 | 176.36 | 193.89 |
| Ireland (16) | 136.90 | −0.9 | 140.36 | 108.04 | 116.86 | 129.94 | −0.3 | 4.06 | 138.08 | 140.84 | 109.06 | 117.51 | 130.32 | 173.71 | 122.98 | 171.00 |
| Italy (76) | 59.13 | +0.2 | 60.63 | 46.67 | 50.48 | 67.39 | +0.9 | 3.08 | 59.03 | 60.21 | 46.62 | 50.23 | 66.78 | 80.86 | 47.47 | 78.89 |
| Japan (472) | 104.75 | +0.2 | 107.40 | 82.67 | 89.43 | 82.67 | +0.1 | 1.00 | 104.56 | 106.65 | 82.58 | 89.00 | 82.58 | 140.95 | 87.27 | 127.48 |
| Malaysia (69) | 261.34 | +0.7 | 267.96 | 206.24 | 223.10 | 264.21 | +0.8 | 2.51 | 259.62 | 264.81 | 205.04 | 220.95 | 262.17 | 282.42 | 212.49 | 226.16 |
| Mexico (18) | 1567.48 | +1.0 | 1607.15 | 1237.05 | 1338.12 | 5316.22 | +1.0 | 1.13 | 1551.31 | 1582.36 | 1225.27 | 1320.28 | 5261.36 | 1789.77 | 1185.84 | 1525.78 |
| Netherland (25) | 153.16 | −0.5 | 157.03 | 120.87 | 130.75 | 129.18 | −0.2 | 4.40 | 153.90 | 156.98 | 121.55 | 130.98 | 129.38 | 169.70 | 147.88 | 153.39 |
| New Zealand (13) | 41.95 | +0.7 | 43.01 | 33.11 | 35.81 | 43.21 | +0.3 | 5.06 | 41.66 | 42.49 | 32.90 | 35.46 | 43.07 | 48.52 | 37.39 | 45.35 |
| Norway (22) | 140.01 | −0.2 | 143.55 | 110.50 | 119.53 | 132.69 | +0.1 | 1.82 | 140.22 | 143.03 | 110.75 | 119.34 | 132.52 | 192.95 | 128.05 | 181.83 |
| Singapore (38) | 221.51 | +0.3 | 227.11 | 174.81 | 189.09 | 168.22 | +0.3 | 1.98 | 220.92 | 225.34 | 174.49 | 188.02 | 167.76 | 229.63 | 179.65 | 224.48 |
| South Africa (60) | 162.57 | +2.0 | 166.68 | 128.29 | 138.77 | 166.44 | +0.6 | 3.06 | 159.33 | 162.52 | 125.84 | 135.60 | 165.44 | 263.60 | 134.21 | 248.37 |
| Spain (47) | 126.66 | +1.7 | 129.86 | 99.96 | 108.12 | 111.83 | +2.1 | 5.42 | 124.58 | 127.08 | 98.40 | 106.03 | 109.48 | 161.72 | 107.10 | 158.07 |
| Sweden (36) | 152.83 | +0.0 | 156.70 | 120.62 | 130.47 | 168.10 | −0.4 | 2.55 | 152.77 | 155.83 | 120.66 | 130.02 | 168.77 | 200.28 | 149.69 | 183.18 |
| Switzerland (56) | 110.73 | −0.3 | 113.54 | 87.40 | 94.54 | 104.59 | +0.1 | 2.04 | 111.11 | 113.34 | 87.77 | 94.58 | 104.53 | 122.37 | 95.99 | 101.15 |
| United Kingdom (226) | 165.34 | −1.0 | 169.52 | 130.47 | 141.13 | 169.52 | −0.5 | 4.39 | 167.05 | 170.40 | 131.83 | 142.16 | 170.40 | 200.07 | 161.86 | 183.47 |
| USA (522) | 180.99 | +0.0 | 185.57 | 142.84 | 154.51 | 180.99 | +0.0 | 2.79 | 180.96 | 184.58 | 142.93 | 154.01 | 180.96 | 180.99 | 160.92 | 188.93 |
| Europe (780) | 134.15 | −0.5 | 137.54 | 105.87 | 114.52 | 126.99 | −0.1 | 3.71 | 134.83 | 137.53 | 106.49 | 114.75 | 127.10 | 158.88 | 131.31 | 148.15 |
| Nordic (114) | 144.30 | +0.0 | 147.95 | 113.88 | 123.18 | 140.50 | −0.1 | 2.18 | 144.25 | 147.14 | 113.94 | 122.77 | 140.65 | 188.52 | 141.24 | 184.88 |
| *Pacific Basin (715)* | *109.44* | *+0.2* | 112.20 | 86.37 | 93.42 | 88.22 | +0.1 | 1.36 | 109.26 | 111.45 | 86.30 | 92.99 | 88.16 | 141.97 | 93.70 | 129.84 |
| Euro−Pacific (1495) | 119.43 | −0.1 | 122.45 | 94.24 | 101.95 | 103.67 | +0.0 | 2.44 | 119.60 | 121.99 | 94.46 | 101.78 | 103.67 | 145.21 | 113.80 | 137.46 |
| North America (635) | 176.86 | +0.0 | 181.34 | 139.60 | 151.01 | 175.82 | +0.0 | 2.81 | 176.81 | 180.35 | 139.67 | 150.50 | 175.77 | 176.86 | 158.70 | 166.92 |
| Europe Ex. UK (554) | 115.07 | −0.1 | 117.98 | 90.83 | 98.25 | 103.80 | +0.2 | 3.24 | 115.23 | 117.53 | 91.03 | 98.09 | 103.58 | 132.98 | 111.33 | 126.75 |
| Pacific Ex. Japan (243) | 155.45 | +0.0 | 159.38 | 122.70 | 132.71 | 144.74 | −0.2 | 3.68 | 155.46 | 158.57 | 122.80 | 132.32 | 144.98 | 175.31 | 146.06 | 153.22 |
| World Ex. US (1686) | 120.63 | −0.1 | 123.68 | 95.21 | 102.98 | 105.86 | +0.0 | 2.46 | 120.73 | 123.15 | 95.36 | 102.75 | 105.64 | 146.91 | 115.99 | 139.53 |
| World Ex. UK (1982) | 137.61 | +0.1 | 141.09 | 108.61 | 117.49 | 124.83 | +0.1 | 2.40 | 137.51 | 140.27 | 108.62 | 117.05 | 124.72 | 150.56 | 127.21 | 145.06 |
| World Ex. So. Af. (2148) | 139.98 | −0.1 | 143.52 | 110.48 | 119.51 | 128.40 | +0.0 | 2.60 | 140.06 | 142.86 | 110.63 | 119.21 | 128.38 | 153.05 | 130.04 | 147.75 |
| World Ex. Japan (1736) | 159.96 | −0.1 | 164.01 | 126.25 | 138.58 | 155.67 | +0.0 | 3.14 | 160.15 | 163.35 | 126.50 | 136.32 | 155.68 | 165.40 | 151.93 | 160.85 |
| The World Index (2208) | 140.03 | +0.0 | 143.58 | 110.52 | 119.55 | 128.76 | +0.0 | 2.60 | 140.09 | 142.89 | 110.65 | 119.23 | 128.73 | 153.70 | 130.66 | 148.40 |


Latest prices were unavailable for this edition.